

App. F. IX-4

Previous References

42 276-32(1-2)

Later References

→

R-106

File No. CA10

Serial Nos. 1167

(1928-19
C.A.)

General and Revenue Secretariat.

Serial

Seven

Part B for

Jan 2 1927

SUBJECT

Revision of the rate of interest on the Messrs
Govt. Deposits in the Bank of
Havre.

AP
12/2

GENERAL AND REVENUE SECRETARIAT.

(Ca)

NOTES.

Ca File No. 10 18

FILE HEADING.

Revision of the rate of interest on m.
myore Govt Deposits in the Bank of
madras.

From

No.		Dated		Received	
Diary No. 1905		Enclos.		Serial No.	
		Spare Copies.			

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

Serial
No.

2) I have separate copy of the cash balances and financial Report for the 1st day of January 1919. Submitted to the Dewan he had been pleased to raise the following queries: -

1) Does any interest accrue from the balances under Current Bank Accounts

2) Again in the Remarks Column under Statement II against the balance shown under Order of Treasury - why such a large balance here. What is the minimum fixed.

3). On personal enquiry in the branch concerned of the Comptroller's office it is ascertained that these queries can be answered better by an unofficial reference to them.

Subd
Guth
21/19.

General and Revenue
Secretariat.

6A File No. 10 of 1918.

Serial
No.
3

Forwarded W.C. to the Comptroller
with complaints, for replying
the queries put by the Comptroller
in the Cash Balance &
Financial Report of Jan 1. 09
18. C.

22.1.19.

Block No. 146 of 29.1.17 for trial say.

The Bank of Madras, Bangalore, and the Bank of Mysore pay interest at 2% below Bank's minimum rates from January to March and at $2\frac{1}{2}\%$ on the -- minimum monthly balance from April to June. No interest is paid from July to December.

(2) The balance of 6.33 lakhs in the Kadur District against the minimum of 2.88 lakhs fixed is composed of

Notes	...	2.59	Lakhs
Whole Rupees		3.25	"
Small coins		49	"
		6.33	

Owing to the restrictions placed in the issue of whole rupees and small coins, the whole rupees were being allowed to accumulate in the Districts. The restrictions in regard to issue of whole Rupees ~~was~~^{were} removed and the encashment of currency notes was authorised only in December 1918. All the available surplus has been withdrawn to Headquarters during the current month.

J. A. C. T. May 1897
Offg. Comptroller.

27th Jan^{ry}. 1919.

NOTE—Contn. sheet.

CV /

GER. REG. SECT.
JUL 1 1919

56948

D. No. 2204/2

P 1887
1905

3 4

G. R. S. III-2]

General and Revenue
Secretariat.

C A File No. 2 of 1918.

Serial
No.

+ R.

7 Subd with ^{the} information wanted by
the Dewan in his letter of 7-1-19.
31.1.19
M

(overman)

4/2/19

It seems to me that the Bank
had allowed interest on the
balances.

It is not possible to
change the agreement

4/3/19

21 (say)

4/3/19

1698
5/2

The agreement is that at Flag A. The rate
from April to June was raised to 2½ per cent. by
subsequent correspondence. (Flag B.) The agree-
ment is terminable on six months' notice. (Flag C.)

There is no objection to negotiations being
started for revising the agreement. If desired,
this will be done.

It must be stated, however, that the agree-
ment represents ^{the minimum} which we get. By special arrange-
ments ~~when~~ ^{when} the money market was tight, we managed
to get higher rates. Two ~~on three~~ occasions on
which such higher rate was obtained are referred

NOTE—Contn. sheet.

to

Serial
No.

to at flags D. & E. The Comptroller can also get a higher rate by fixing ~~one~~ amounts for two or three months whenever he finds ^{it} possible to do so; e.g., this was done this year and in fact is done whenever it is possible to do so.

/2 As we always get facilities for obtaining higher rates of interest ^{by} special agreements or by fixing amounts, the present agreement -- seems to work well and is fairly favourable to us. In these circumstances it seems sufficient to instruct the Comptroller with-a-s that special terms may be demanded from the Bank whenever money market conditions justify higher rates and that every endeavour should be made to obtain higher rates of interest by placing parts of the cash balance at fixed deposit. An attempt to obtain a general revision of the agreement does not seem necessary.

/3 Some years ago I personally negotiated with the Banks of Bengal and Bombay and tried to secure more favourable rates from them than the -- Bank of Madras ^{was} ~~were~~ giving. Those Banks were not willing to give more favourable terms.

5-118
6-3-19.

The Dewan.

I think there is no harm

M
1.3.19
5

General and Revenue
Secretariat.

C A File No. 12 of 1918

Serial
No.

10 in trying to secure better
terms.

11 Anybody disturbed when
they are unsatisfied. They
presume constant watch
and split camp in each
other's view. If no one
takes interest nothing is done.
The result is therefore nothing
from a business point of view
I would

12 I shall be obliged if
the Y. H. say will send
draft letters to Madison Bank
and also ascertain from
~~the~~ ^{the} ~~Hyson~~ ^{Hyson} & National
Banks on that terms
they will keep our money

2 C. H. H. H.

13 The present is nearly 15 years
old & the 'Queen' is
they call it (Hay B)
is also dated 1905 -

14 I think this high time
a rate of 1/2 of 1/2 of 1/2
I think rate has gone up

Ca

File No.

10

of 1918.

Serial
No.

2e Shred add for int.
for the blank period
& better times all round

2
7-3

19 The ^{2nd} D.O. to Sir Hermann Hunter, prepared
after consulting Mr. Rose & the Comptroller will
soon be approved. The Comptroller who was
consulted has asked for time for giving his
opinion (a week or ten days). There is no
harm in starting the discussion & the
Comptroller's opinion may be used later on.

Dewang

May 15/19

20/3

Copy may be submitted for Mr. ref

W/S

7/12

D.S.N.

W/S

20/3 18/12

Subs
with 20-5-19
W/S
25-9-19
W/S

Clean draft submitted as desired

Retr

25-9-19

W/S

The Comptroller's reply is also placed

in the file. He is

since read
but not
else

5551

19-3-19

b. A. File No. ¹⁰ 2 of 1918-19

Serial
No.
21

Agreeable letter regarding: Two addl
points are also raised from in the
modification of the agreement
(Hear)

18
25/8/19

ms
2/3

(Dean) with D.S. N.

18
2/3

Issue letter to
Bank and then
submit to Secy.

issued & subd.

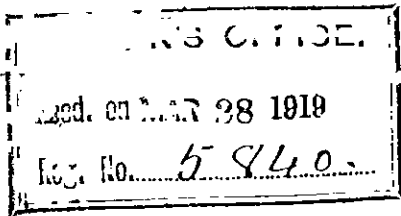
S

(1)

To. Sir W. Bernard. Treasurer Secy. Bank of Madras. Madras
No 4872 Ca 10-18-1. dated 27/11/1918.
1919.

Enquired if the Bank will be prepared to
revise the rate of interest as shown in the
margin. Since the rate of interest
has considerably fallen of late.

Decr - April
2% below Bank rate
May - Nov
2 1/2% -



Submitted to His Highness.

According to present arrangements the Mysore Government get interest in respect of their current account in the Bangalore branch of the Madras Bank at the following rates on the minimum monthly balance.

January to March .. 2 % below Bank rate.

April to June .. 2 $\frac{1}{2}$ %

July to December .. Nil.

H

This arrangement was arrived at as long ago as -
November 1904 and was slightly revised in December,
1905.

B

Page 3 of Office notes.

2. On 3rd February 1919, I recorded the following minute:-

"It seems to me that the Bank should allow interest on the balances in the slack season July to December."

"Is it not possible to change the agreement."

3. The agreement is terminable on six months' notice on either side.

4. The rate of interest has considerably risen of late and it is reasonable that the Mysore Government should now get more favourable rates. Higher rate of interest than those provided for in the agreement and interest for parts of the half-year, for which no interest is ordinarily allowed, have been realized from time to time under special arrangements with the Bank but instead of depending on a fresh arrangement on each occasion it is better to try to revise the rates permanently.

S

5. With a view to take necessary further action a preliminary confidential enquiry has been made of the Secretary and Treasurer, Madras Bank, whether the Bank is prepared to revise the rates as shown below on the minimum monthly balance.

December to April : 2 % below Bank rate.

May to November: 2½ %.

6. The action taken in the matter is reported for His Highness' information.

mu

L. R. S.
29.3.19.

Record of Cases submitted for the Orders
of His Highness the Maharaja.

Subject.



Action taken by Government to increase
the rate of interest in respect of, their
current account in the Bank of Madras,
Bangalore.

1619.

Order.

K.P.W.
31/3/19

Freey
4.4.19

W.P. Tri
4/4
5/3/4

22x

195
2650

12
(11)

J. R. S. III-2]

General and Revenue
Secretariat.

ca File No. 10 of 1918.

Serial
No.

(2) Lett NO 116 C. dated the 28th March 1919
from the ^{Agent} Bank of Madras, Madras
with reference to D.O. letter NO. 4872 227³/₁₉
States that as the Mysore Goot ~~balances~~
are largest at a season when funds are
not in strong demand. it does not quite
suit them to quote fixed rates on current
account balances for indefinite amounts and
Suggests as an alternative proposal to
offer ^{interest at} 2% per annum all the year round
on current account balances up to a maximum of
10 lacs. and to quote special rates for short
dated fixed deposits when they are able to utilise
them.

23

Subt with reference to the previous serial on page 7.
- Dewan's order D 7-3-19.

rekn
5.4
7
ms

Feeling

18
9.4.19

24

To Comptroller for opinion on the basis
of actual calculations of past years
& other considerations as to whether 2%
as proposed would be favourable to us.
If not which figure - 2½ or 3 - will be
profitable? Can we agree to the max.
of 10 lacs?

ms
11/4

18
11/4

Page 5 & 6
of the MS

2327
1/1

DEL SEC
RIAT.

28.2.23 16-78

205/R
16 APR 1919

NOTE - Contn. sheet.

Serial
No.

note no: 208/R 28/4/19

i place in the file a statement showing the interest which the bank paid to us on our balances in the past three years, according to the present agreement and that which it would have ~~been~~ paid, had the proposed arrangement of 2 per cent all round the year ~~had~~ been in force. It will be seen that, in all the three years, the proposed arrangement would have worked against us. The proposal therefore of Sir Bernard Hunter for paying 2% interest all round the year is therefore not acceptable. The addition of half a per cent more will not on the whole alter the situation in our favour. Three per cent will give us on the whole a slightly larger amount than what we are now getting under the existing agreement. Another statement showing these calculations is also put up. I am not sure if the bank will pay 3%. The utmost it may perhaps pay is $2\frac{1}{2}\%$ and there seems therefore to be no object in changing the present agreement. Sir Bernard Hunter does not allude in his letter as to whether the rate of 2 per cent interest proposed by him is upon the monthly minimum balance or on daily balances. I presume it is on monthly minimum balance as under the present agreement.

it will be seen that the minimum balance

Statement Showing the monthly Minimum Balances, Interest thereon at 2%, and also actual amount of interest allowed by the Bank of Madras, Bangalore, according to the existing terms of the agreement with them during the last three years 1916 to 1918.

Months	1916.			1917			1918.			Actual amount of interest allowed by the Bank.	1919 Min. Balances.
	Minimum Balances	Interest Calculated at 2% thereon	Actual amount of interest allowed by the Bank	Minimum Balances	Interest Calculated at 2% thereon	Actual amount of interest allowed by the Bank	Minimum Balances	Interest Calculated at 2% thereon	Actual amount of interest allowed by the Bank		
January	570,448	951	259 13.3	21,10,988	1667	-	876,949	1462	-	-	360,372
February	435,004	725	204 2	11,04,901	1667	-	685,176	1142	-	10806 28	838,242
March	897,234	1492	4572 33	~~11,44,536~~ 11,44,916	~~1667~~ 1667	-	11,33,726	1667	-	-	1064,428
April	41,667	69	410 36	782,916	1309	25616 14	995,352	1659	-	-	-
May	185,165	309	1319 66	680,687	1134	-	11,49,175	1667	-	6344 -	-
June	229,072	382	1606 99	802,000	1337	-	904,574	1507	-	-	-
July	519,734	866	-	493,000	822	-	703,190	1173	-	-	-
August	706,418	1177	-	590,000	983	-	740,734	1235	-	-	-
September	994,556	1658	-	623,000	1038	-	476,321	793	-	-	-
October	979,936	1633	-	358,000	597	-	236,838	395	-	-	-
November	895,344	1492	-	303,000	505	-	890,26	148	-	-	-
December	1525,232	1667	-	621,000	1035	-	88,270	147	-	-	-
Total:-	-	12421	12442 63	-	13761	25616 144	-	12995	-	17150 28	-

Note:- In the case of balances above Ten Lakhs of Rupees, interest has been calculated at 2% on Ten Lakhs at 2%.

a) Branching of a rupee have been neglected in the calculation.

Statement Showing the Interest calculated on monthly maximum balances with and without the maximum limit of ten lakhs, at 2, 2½ & 3%, as well as the actual amt. allowed by the Madras Bank.

Year.	Subject to a maximum of 10 lakhs			Without the maximum limit of 10 lakhs			Actual amount allowed by Bank.
	at 2%	at 2½%	at 3%	at 2%	at 2½%	at 3%	
1916	12,421	15,301.	18,362.	13,296.	16,620.	19,944.	12,442-6-3
1917	13,761	17,201.	20,642.	16,024.	20,030.	24,036.	25,616-14-4
1918.	12,995	16,244.	19,493.	13,467.	16,834.	20,200.	17,150-2-8

U

Serial
No.

30

U/S

Put up a Draft D.O. to Mysore Bank &
National Bank in consultation with the Comptroller

Mys
19/5 - 18
20/5

Comptroller with Compliments.

Note no: 219/K of 22.5.19
3272/1000

The Draft D.O. referred to above is not in
the file. The point on which I have to note
or the information I have to furnish is also
not indicated -

M. B. Srinivasan
22.5.19

32

I send the file in advance and
intended to be in the Comptroller's
office his office regarding the
Draft D.O. - This will now be
done from personally taking the
file being -

18
24/5

33

I have put up a Draft D.O. to Mysore
Bank in consultation with the Comptroller.

As regards making an enquiry of the
National Bank he is of opinion that
before going to it would be well to
have definite information about the
constitution and working of the National
Bank, when the Head office of the Bank and

2652-18

227
22 MAY 1919

70726

No 3272 2225
Booths

Ind. Secs
M. B. Srinivasan

A. J. Stock Bank
M. B. Srinivasan
NOTE - Contn. sheet. 29/5

G. R. S. III-2]

General and Revenue
Secretariat.

Ca

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of 1918.

Serial
No.

In London
m/29/15
On this point enquiry
maybe made
m/29/15

28/16
29/15

34

The Directors are, whether we are likely
to have an money at-call in Hongkong
if an arrangement is made with them.
He suggests that - then prints may all
be considered before making the enquiry.
Forwarding.

Forwarding)

28
26/15
27.

Issue draft to Bk. of Mysore
to put up a draft to Nat. Bk. Madras -
As I am not in favour of issuing such
a draft it shd go to Madras for approval
before issue. I am not in favour of
making out an enquiry because it is likely
to strain our relations with the Bk. of
Madras without any corresponding
advantage.

m/29/15

28/16

W. C. Rose: Secretary Mysore Bank
No 26 6561. D: 6th June 1919.

enquires whether the Bank is prepared
to offer better terms and to revise the
rates as below:- Dec. to Apr. 2% -
May. - Nov. 2 1/2%

P.O.

3439

G. R. S. III-2]

General and Revenue
Secretariat.

C A File No. 10 of 1918.

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No.

monthly minimum balances at call during
the several months of the year

2) whether the Bank is prepared to have
the money placed with them kept always at
call in Bangalore.

Sub
26/6.

Letter dated the 24th June 1919.

From the ^{Manager} National Bank of India Ltd.
with reference to the Enquiries in the
previous Serial States -

That the Bank allows interest at 2% on
Credit balances up to Rs 1 lac. and in case
larger amounts are deposited - Subject to 7 days
notice of withdrawal - 2½% interest - is allowed
and on fixed deposits - the rate allowed is.

one, two & three months - 3%.

Six months - 4½%.

Twelve " 5%.

The Bank regrets to keep money at call in Bangalore.

Subd for orders

nil

1/7. 62

~~The following is a~~ ^{statement} ~~comparative~~
showing the rates of interest which is
being given by the Madras Bank - and
that now proposed by the National Bank.

P. T. O.

2640
2123439

J. R. S. III-2]

General and Revenue
Secretariat.

Ca

File No.

60

of 1918.

Serial
No.

(43) Sub for orders

m
27-19

The N. Bank is not prepared to
keep the money at call at
Bangalore
May be dropped.

11/17/19

18
14/1/19

45 No reply has apparently been recd from
the Bank of Mysore and it may be
awaited

mmb
15/2/19

18
16/2

88
14/7

88

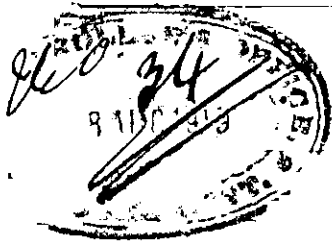
5.

From the Bank of Mysore Ltd.

No G. 13/639. Dated 24th July 1919.

With reference to ~~that~~ enquiry in serial 2.
States that there has been wide fluctuation in
the Govt balance for the last 1½ years and
proposes a modification of the Agreement to the
extent that a fixed monthly minimum balance should
be maintained ~~to~~ ^{to} which the Bank agrees
to pay interest for the half year - offering
a revised rate of interest.

May - April : 2% below Bank rate up to
of mads
maximum of 4 5%

21.5.19
25.1.19
C File No. 10 of 1918.Serial
No.

(5)

May - June 3% per annum.
July - Decr. 2%

46 From the chart it may be seen that there has been wide fluctuation for the last one year and a half.

47 The terms offered by the Mysore Bank have also been included in the statement put up.

48 Sub with reference to the St. 89's note dated 18/4/19

Refer

28/4.

me

Reference - Hyderabad adn

By 18.5.1919.

49 Fessy

$$\frac{18}{25/7}$$

Forwarded with Compliments to the Comptroller for opinion on the points raised in the Mysore Bank's letter of 24.7.19.

M. S. Subramanian
4.5.19

262
30/7
FINANCIAL SECRETARIAT.
BANGALORE.
1919
26 333-19

Ca

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of 191 K?

Note no: 73-R

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No.

57

The terms offered by the Mysore Bank are

(1) rate of interest at (a) 2 per cent below Madras Bank rate for the first 4 months of the calendar year subject to a maximum of 5 per cent.

(b) 3 per cent during the months of May and June, and, (c) 2 per cent during July - December.

(2) a fixed minimum balance to be maintained at all times, and in default no interest to be allowed for the half-year, should the balance at the Bank fall, at any time during that half year, below the stipulated minimum. The proposed condition to fix a minimum balance instead of a certain fraction of the balance with the Madras Bank which is subject to variation every day is more convenient.

58

2. The average of the monthly balances we have been able to keep in the bank for the first six months of the current calendar year (the month for which our money usually fetches interest, it being also the period for which the Madras Bank allows interest) varies from about $3\frac{1}{2}$ lakhs, to 7 lakhs. Allowing a margin of one lakh for the period of the greatest stress (January to March) we may safely expect to maintain a minimum of $2\frac{1}{2}$ lakhs. The maximum Government cash balance in the bank so far has been $9\frac{1}{2}$ lakhs. We should therefore try to maintain a minimum of $2\frac{1}{2}$ lakhs and arrange for getting interest upto a maximum

of

Ca

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of about 10 lakhs.

3. The bank however proposes to allow interest only upto a maximum of twice the minimum balance which it would be possible for us to maintain. The following arrangement may therefore be adopted:-

4. The bank at present holds two concession deposits of 5 lakhs each, one of which carries interest, and the other is free of interest and is to remain with the bank for ten years from the date on which the bank was started, that is upto May 1923. The latter deposit of 5 lakhs to be retained by the bank free of interest may be treated as part of the minimum balance which will be fixed at $7\frac{1}{2}$ lakhs, the maximum upon which the bank will allow interest being 15 lakhs. Of course for the period for which the deposit of 5 lakhs which is free of interest is to remain with the bank, the bank will allow interest only on the amount in excess of 5 lakhs. Under this arrangement we will get interest on our balances varying from $2\frac{1}{2}$ lakhs to 10 lakhs, and as it would be possible to maintain a minimum of $2\frac{1}{2}$ lakhs, and our balance in a bank is not likely to exceed 10 lakhs (exclusive of the five lakhs deposit) no portion of our balances will remain idle for any appreciable period.

4. The bank proposes to calculate interest

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No.

half-yearly, which would result in our foregoing interest for the whole half-year, if the balance even for a single day in the half-year should go down below the minimum. This is too ^{stringent} ~~strongest~~ a condition. The bank should allow us interest monthly on the minimum balance for each month.

5st 5. The maximum rate of interest for the ^{first} ~~let~~ four months may be 6 per cent, which is the rate allowed by the Madras Bank for the first 3 months of the calendar year instead of 5 per cent as proposed by it now.

5th 6. The proposed new arrangement may be for three years and reconsidered after the ~~expedit~~ expiration of this period.

W. S. S. S. S. S.
Offg. Comptroller.

8-9-19.

741
12/9

H. S. S.

58 This case relates to the attempts made ¹⁸ ~~4/5~~ to obtain, if possible, better terms for our current deposits with the Banks of Madras and Mysore. The Bank of Madras was asked in our letter of the 27th March 1919 to allow interest at 2 per cent. below Bank rate from December to April and at 2½ per cent from

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No.

from May to November. The Bank did not agree to this proposal and the alternative offer made by Sir Bernard Hunter in his letter dated 28th March 1919 was found to be more unfavourable than the present agreement. (Vide Comptroller's note dated 28th April 1919.)

59 Then the National Bank was addressed as to what terms it would offer for balances, if kept with it. As this Bank has no Branch at Bangalore it expressed its inability to undertake to keep any money at call in Bangalore, vide its letter dated 27th June 1919.

60 The Bank of Mysore was requested in our letter dated 6th June 1918 to state if it could offer the same rates as were proposed to the Bank of Madras. This Bank is also unwilling to offer better terms than the present and it has raised in its letter dated 24th July 1919, the following points relating to the current agreement with it.

1. It considers that the condition in respect of maintenance with it of about one-third of the balance in Bangalore has not been properly carried out by Government and in view of this it doubts whether Government are "entitled to the payment of interest for the past half year as stipulated in the agreement with the Bank."

2. It suggests a modification of the agreement with a view to the maintenance with it of "a fixed minimum balance at all times."

3. If

NOTE—Contn. sheet.

General and Revenue
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3, If a fixed balance is kept, it proposes that it will allow interest as follows:--

January - April 2 % below Bank of Madras rate subject to a maximum of 5 %.

May - June 3 % per annum.

July - Decr. 2 % per annum.

If the fixed minimum is not maintained at any time in a half year, it is not prepared to pay interest on our balances for the whole of such half year.

It also wants to impose a maximum limit equivalent to double the fixed minimum in respect of the amount on which it is prepared to pay interest at the above rates.

According to the agreement, "about one-third of the ^{current} balance ⁱⁿ Bangalore" is to be kept with the Bank of Mysore. When the question of this agreement was under consideration, I pointed out the practical difficulty in maintaining specific fractions of ^{the} headquarter balance in the Banks of Madras and Mysore and the frequent--almost daily transfers from ~~the~~ one Bank to ^{the} other which such an arrangement would involve (vide my note dated 21-9-1917)

The difficulty represented by me is real and it is responsible for the complaint of the Bank. The contention that we kept larger balances with the Madras Bank and smaller balances with the Bank of Mysore is not correct. Owing to the varying volume of transactions with each Bank, the balance with the Madras Bank has sometimes been less than two-thirds and that with the Bank

of

NOTE--Contn. sheet.

General and Revenue
Secretariat.

C a File No. 60 of 1918.

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of Mysore more than one-third. These variations were inevitable under the arrangement and the continuation of the Bank that ^{keeping} condition of/about one-third of the balance has not been carried out by Government, is, I think, untenable.

46 As I have already stated, the arrangement of a fluctuating balance from time to time equivalent to a particular fraction of the Headquarters balance cannot be worked out in practice. We may accept the suggestion of the Bank to maintain a fixed minimum balance but we cannot guarantee to always maintain ^{any} this fixed amount. Whatever amount we are not in a position to fix for definite periods must be absolutely at our call. This is the essential ~~xxx~~ condition of our arrangement with the Bank of ^{Madras} ~~Mysore~~ and it is impossible to permit a departure in this respect as regards our account with the Bank of Mysore. At the same time we may try our best to see that the minimum is not reduced. The level of our balances at Bangalore has latterly been considerably reduced by the irregular remittances from London and the larger whole rupee balances kept in the Huzur Treasury. The total cash balances with the Bank of Madras and Mysore are lower than what they would have been but for these two factors. In normal circumstances, I think, we may be able to keep a sum of 5 lakhs as the minimum, of course, with liberty to draw upon it should special circumstances necessitate the utilisation of even

such

NOTE—Contn. sheet.

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No.

such minimum. For the present however, the Comptroller considers that the minimum cannot be fixed at a higher figure than $2\frac{1}{2}$ lakhs. It may be fixed at this sum until it can be increased.

67 I do not think the Bank will agree to treat the interest-free deposit of 5 lakhs as part of the current account.

68 The Bank's proposals in regard to rates of interest, allowing no interest if the balance in a half year falls below ^{the} fixed minimum, and imposing a maximum limit equivalent to double the fixed minimum as regards the amount on which interest should be allowed, are unacceptable.

There are no such conditions in our agreement with the Bank of Madras. The Bank of Mysore has agreed to allow the same terms as the Bank of Madras. (Vide its letter dated 18-9-1917)

69 In the circumstances stated above, the only action that is now called for is to alter Clause (i) of the agreement for allowing a minimum of $2\frac{1}{2}$ lakhs instead of about one-third of the balance at headquarters.

70 The attempt to obtain better terms from the Bank of Madras has been unsuccessful and there the matter has to be left ^{for the} present.

71 The above note is forwarded to the Comptroller with compliments for favour of remarks. The statements made in the note about the proportion of balances kept with the two Banks may be verified. Vide Mr. Rose's letter pars. 2 & 3.

NOTE—Contn. sheet.

257

30

98/n

Note No. 852 8.23/19

Books

SECRETARY
10632
OCT 1919

1070
27.10.19

Side list para
on previous page.

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No.

1234-120

The statements in the main-
-and Secretary's note have been received.
Action may be taken as proposed.

12/10/19

21.10.19

27.10.19

7/10/19

Attention is invited to my note.

20.9.19.

Dewan)

2.11.19

27/11

DEWAN'S OFFICE.

Recd. on NOV 5 1919

Reg. No. 2972

G. R. S. III-2]

General and Revenue
Secretariat.

C.A File No. 10 of 1918.

Serial
No.

9972

A

The present file originated in an attempt to obtain better terms for our current deposits with the Banks of Madras & Mysore and it is pity to take no further action in this behalf particularly as the Bank of Mysore agree to give interest at 2 per cent. on balances kept with them between July to December for which they are paying nothing now. I should be glad if the Financial Secretary will work out how the terms offered by this bank compare with that now in force with the Madras Bank on the basis of the deposits held with the latter bank. The Comptroller considers that the average deposits with the Mysore Bank for the first six months of the calendar year are about 3½ lakhs and it should therefore be easy to offer a minimum balance of 5 lakhs in the Mysore Bank with the maximum rising up to 10 lakhs, in view of the Bank offering interest during the second six months of the calendar year during which we are getting no interest at all now. The proposal of the Bank refusing interest for the entire half year should the deposit fall short of the minimum on any day is not of course acceptable nor can we agree to tie up deposits on current account for any fixed period although perhaps there may be no objection to our giving a week's notice in the case of withdrawals exceeding 2 lakhs. In regard

G. R. S. III-2,

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Secretariat.

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660 No. 127
20.11.1919
GOVERNMENT
ORDER
25/11/19

regard to the minimum, we may promise "to try our best to see that the minimum is not reduced" as suggested by the Financial Secretary.

This matter may be discussed by the Financial Secretary with Mr. Rose and a note put up early for the orders of Government after obtaining formal proposals from the Mysore Bank.

We may be quite sure that the Madras Bank knew that the terms they were offering were worse than what were actually in force. I should be glad if a draft letter is put up pointing this out to them and indicating that the arguments they advanced in 1905 are no longer of much force and that the conditions of the money market justify our expecting better terms now.

12.11.19

LWS

7-1-19

Forwarded to the Comptroller for kindly furnishing a statement of the calculations referred to at A in the above orders of the Dewan.

M. S. S.

18/11/19

18/11/19

G. R. S. III-2]

General and Revenue
Secretariat.

257
✓ 132-K
File No. 1285 of 191 3rd Dec '19.
Books

Serial
No.

E/one

A statement showing how the terms offered by the Mysore Bank compare with those in force with the Madras Bank on the basis of the deposits held with the latter bank is placed in the file as desired.

In view of the remarks contained in Dewan's orders of 12th November 1919 that the Bank's proposal not to pay interest for the entire half-year, should the deposit fall short of the minimum, is not acceptable to Government, interest has been calculated in the statement on all sums whether within the prescribed minimum or not.

J. Satyanarayana
Offg: Comptroller

fl Secy)

3/17/19

Ans 4/12

1542
5/12

J. Satyanarayana

12/12

NOTE—Contn. sheet.

Statement showing the Interest Calculated on monthly minimum balances with reference to the terms offered by the Mysore Bank on the basis of the deposits held with the Bank of Madras, Bangalore, and the actual amounts of interest allowed by the Bank of Madras, Bangalore, during the 3 years 1916, 1917 & 1918.

Months.	1916				1917				1918.			
	minimum balances.	Interest at 5% from January to April 3% for May & June 2% from July to December.		Actual amount of interest allowed by Bank.	minimum Balances	Interest at 5% from January to April 3% for May & June 2% from July to December.		Actual amount allowed by the Bank.	minimum balances.	Interest at 5% from January to April 3% for May & June 2% from July to December.		Actual amount allowed by the Bank.
January	570,448	2376	139	2579 133	2,110,988	8795	126	—	876,949	3,653	152	—
February	435,004	1812	83	2014 2	1,104,921	4603	12	—	685,176	2854	45	10806 28
March	897,234	3738	72	4572 33	1,141,536	4756	65	25,616 144	1,133,726	4723	139	—
April	41,667	173	99	410 36	782,916	3262	25	—	995,352	4147	49	—
May	1,85,165	462	47	1319 66	680,687	1701	116	—	1,149,175	2872	15	6344
June	2,29,072	572	1010	1606 99	802,000	2005	—	—	904,574	2261	7	—
July	5,19,734	866	—	—	493,000	822	—	—	703,190	1173	—	—
August	706,418	1177	—	—	590,000	983	—	—	740,734	1235	—	—
September	994,556	1658	—	—	623,000	1038	—	—	476,321	793	—	—
October	979,936	1633	—	—	358,000	597	—	—	236,838	395	—	—
November	895,344	1492	—	—	303,000	505	—	—	89,026	148	—	—
December	15,25,232	25428	—	—	621,000	1035	—	—	88270	147	—	—
Total:—	—	1850584	1244263	—	—	301041210	25616144	—	—	2440561	17150	28

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No.

I submit a statement obtained from the Comptroller to show what interest we would have received in the last three years on our current account with the Bank of Madras, Bangalore, had that Bank allowed us the terms which the Bank of Mysore has now offered, in respect of our current account with it. The amount actually received and that payable according to this calculation, are noted below:-

Years.	Received.	Due according to the terms offered by the Bank of Mysore.
1916 ..	12,442.	18,506
1917 ..	25,616	30,105
1918 ..	17,150	24,405.

2. I discussed with Mr. Rose, the question of the revised terms which his Bank has offered. He agreed to improve the terms in one respect, viz., limiting the period for allowing no interest to the month in which the fixed minimum is not maintained, instead of as originally proposed, denying interest for a whole half year. I requested him to make the maximum rate 6 per cent. for the period from January to April as the Madras Bank allows such rate for the period from January to March. But he ^{is} was not prepared to agree to this change for reasons stated in his letters dated 28th and 30th January 1920.

S. 1042

General and Revenue
Secretariat.

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3. Mr. Rose did not consider that giving a week's notice in the case of withdrawals exceeding two lakhs would be of much use to the Bank. I, therefore, suggested that, when in an unavoidable circumstances, the fixed minimum is reduced, the condition of not paying interest may be limited only to the month in which the minimum is not maintained, and he agreed to this suggestion as stated above.

4. The entire balance with the Bank, including the fixed minimum will, of course, be at our absolute call, but in the event of our drawing upon even the fixed minimum, we have only to forego the interest for the month in which such reduction occurs. As the minimum is proposed to be fixed at 5 lakhs, and as interest is payable only on the monthly minimum balance, the loss of interest for the month in which the fixed minimum is not maintained, will not be much. The terms as thus revised are acceptable and I note them below:

(i) A fixed minimum balance to be maintained at all times; such balance to be 5 lakhs for the present.

(ii) Rates of interest:-

January - April .. 2% below Bank of Madras rate subject to a maximum of 5 %.

M a y - June .. 3% per annum.

July - December . 2% per annum.

General and Revenue
Secretariat.

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(iii) No interest to be allowed for the month in which the fixed minimum balance is not maintained.

(iv) The maximum amount for allowing interest to be double the fixed minimum.

5. I put up also a draft letter to the Bank of Madras, Madras.

It does not appear to be possible to induce the Bank to allow us any interest during the slack season. For the operations of the Madras Bank, the busy season, should, I think, be taken as one of six months at least and our request for interest at 2 per cent, below the Bank rate for the second quarter of the calendar year as for the first is reasonable. I have accordingly proposed to ask for interest at the enhanced rate for the quarter ending with June and not pressed for any interest for the slack season of about six months.

In going over the Chamberlain Committee Report, I had noticed that the Madras Bank had admitted that the busy season for its operations was one of 6 to 7 months. I have accordingly alluded to this admission on its part to support our request for a higher rate of interest for the second quarter ending with June as well.

The Madras Bank is soon to be absorbed in the New Imperial Bank of India and I am not sur

General and Revenue
Secretariat.

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if our proposal will be considered by the authorities of the present Bank. We may, however, continue the ~~present~~ correspondence and when the new Bank is formed, we may address the authorities of that Bank also, if necessary. If the new Bank utilizes ^{the} ~~its~~ resources ^{of the absorbed Madras Bank} throughout India, as it is likely to do, our request for treating a period of six months as the busy season for employing the funds of the Madras Branch of the Imperial Bank and for allowing us interest for the whole of such period at 2% below the Bank rate can be urged -- with stronger reason. The matter was under correspondence with the Mysore Bank and Mr. Rose's final reply was received only today..

DEWAN'S OFFICE.

Recd. on FEB 2 1920

Reg. No. 5253

Dewan

Dmll

31.1.20.13
29

G. B. S. 11-2]

eral and Revenue
Secretariat.

C. A. File No.

10

of 1918

Serial
No.

5253

I approve of the terms offered by the
Mysore Bank. The papers may be circulated for
consideration in Council.

The letter to the Secretary and Treasurer
of the Madras Bank might issue.

ues

3:2.20

To The Chief Secy with Compliments.

mm

4.2.20

18
5/2

To the Secy/Treasurer Bank of
Madras
Issued no. 21. 4686. 2. 62. 20
request for reasons stated reasons
denial of the proposal for
allowing interest at 2% below
the bank's rate for the end of from
April to June.

c.s. Circulate.

CSB

16/2/20

(For Disposal at a Meeting)

No. C. 452

.....19..20

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the schedule)

Revision of ^{the} rate of interest on the Mysore Government
deposits in the Bank of Mysore.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

W. Salazar

Chief Secretary to Government.

.....21st.....February.....19..20.

Extraordinary Member of Council.

263
2.3.20 First Member of Council. *Seen & my op. states in stage memo*
4
3.3

563
1-3-20 Second Member of Council. *Seen*
2.3.20

4315
28.2.20 Third Member of Council. *W. Salazar*
27/2

C-452

95-7

"C" - 3.

Subject. - Clause 'xii' of the schedule.

Revision of the rate of interest
on the Mysore Government deposits in the
Bank of Mysore.

...

Opinion of the Council.

28/3/20

Bring up after report of
Special Committee on
Bank & recd.

COH

Forwarded to the Financial Secretary,
with compliments, for necessary
action.

15-11-19

COH
26/3/20

WVS

ml
29.3.20

2598

G. R. S. III-2]

General and Revenue
Secretariat.

CA File No. 10

of 1918

Serial
No.

7

From the Dy. Treasurer & Secretary.

Bank of Madras

NO SL. 154 d. 9.2.20

with reference to letter no 214686 CA.

10-18-6. D. 6.2.20 States that he is

unable to comply with the request
for the payment of interest at 2%.

Below the Bank's minimum from April
to June but suggests as an alternative

that surplus funds should be placed to credit
of a no 2 a/c and that withdrawals

be subject to 30 days' notice and on the
account interest to be allowed at 2%.

Below the Bank's minimum and the
ordinary working account to carry on

at the rate of $\frac{1}{2}\%$ - as at present

Sd/-

[Signature]

12/20. [The linked file may perhaps be
sent to the Chief Secy. as already ordered

[Signature]

F. S. S. ;

[Signature]
12/2

12/2

The Bank is unwilling to comply
with our request. The alternative
arrangement is adopted when we
have balances which we can fix

Flay.

Subject

Action taken by Govt. to increase
the rate of interest in respect of
their Current Account in the
Bank of Madras & Mysore.

They are easy
marked for being
sent kept back in
this fashion. The linked
file should be separate etc.
are and not be linked.
Copy of the letter in
up of which the P. & D.
is received should be placed
in this file before being
to Flay.

NOTE—Contn. sheet.

25998

G. R. S. III-2]

General and Revenue
Secretariat.

File No.

191

Serial
No.

for some time. It is not desirable to
adopt any uniform arrangement for
dealing with the part of our
balances. We are fixing up units
whenever we can and we are also
getting the best terms from time to
time for such deposits

Dewan

only

14-2-20

18
76/2

James

Wies

20-2-20

only

21-2-20

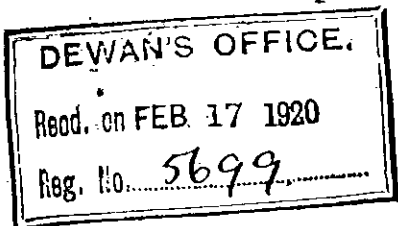
add for personal

18/2

1/3

18

2/3



1/3

to be placed
in the under secy
after action

(to be placed
in connected
papers)

General and Revenue
Secretariat.

U. O. File No. 746/P.D. of 191

Serial
No.

The different rates offered by the Madras Bank for Fixed Deposits are:--

Subject to 30 days notice	4½ %
3, 6 or 9 months	6 %
12 months	5½ %

We have now the following Fixed Deposits in the Bank of Madras:--

Rs 7,63,125	maturing on 14th November 1920.
20, 00,000	" 29th October 1920.
5, 00,000	" 23rd " 1920.

I have now written to the Bank to renew the two Fixed Deposit Receipts maturing on 29th October 1920 and 23rd October 1920 together with the interest due thereon. Out of this 25 lacs, 17½ lacs are asked to be renewed for a period of three months so that the 1st instalment of subsidy may be met without any difficulty. The balance of 7½ lacs plus interest due upon 25 lacs for three months has been asked to be renewed for 9 months.

The Fixed Deposit Receipts maturing on 14th November 1920 will also be renewed for nine months.

The cash balance with the banks is as follows:

Bank of Mysore	34½ lacs
Bank of Madras	12½ lacs
Bank of Bombay	19 lacs.

According to the agreement we have to keep about 32 lacs with the Bank of Mysore for a period of two years. The balance of 2½ lacs will be required to meet current requirements.

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No.

No appreciable remittances can be expected from the treasuries during the month of November and early part of December. The Madras Bank balance will therefore be required to meet during this period the demands of the Mysore District Treasury, the Food Controller and Jamakharch Accounts.

Out of the balance of 19 lacs with the Bank of Bombay, 15 lacs will be transferred to Madras and invested in nine months Fixed Deposits. The remaining balance with the Bank of Bombay, which will be supplemented by the transfer of about of Rs. 87 thousand with the Eastern Bank, Calcutta, and, by the promised sale of 1929-47 Securities to the extent of 5 to 10 lacs, is required to meet the demands of the Iron Scheme. The London balance is about £1,00,000 and if the exchange rate is favourable £75,000 may be transferred to Bombay. The total amount of Fixed Deposit with the Madras Bank will stand thus:---

For three months ...	Rs 17,50,000.
For nine months ...	Rs 7,81,000.
" " " about	Rs 7,72,000
(The Fixed Deposit maturing on 14-11-20 with interest).	
Amount transferred from Bombay to be kept for nine months.	Rs 15,00,000

Total	Rs 48,03,000

Dated Camp Mysore,
the 20th Oct. 1920.

J. Sanyal
Comptroller.

C175

(3)

G. R. S. III-2,

General and Revenue
Secretariat.

File No.

of 19

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No.

The total subscriptions to the loan are about 136 lakhs and the cash part of them must be included in Treasury and Bank balances. The above proposals relate to the investment of the surplus -- balances in Banks. It is not clear if there are no surpluses in treasuries for similar investment. It is necessary to ascertain as early as possible what part of the subscriptions was received in cash and including it, what the cash balance position is on the whole. The demand to be met on account of Capital Works, particularly for Iron Works, has also to be considered in this connection. I understand from a recent communication from the Tata Sons & Co. that -- almost the whole of the machinery ordered for the Works is expected to be shipped before the end of December next. Heavy payments for these shipments --- will have to be arranged for and it is necessary to get a forecast of the ~~mx~~ demand on this account with a view to regulate the resource operations of the next two or three months. As the Madras Bank is prepared to pay 6 per cent. on deposits fixed for even three months, whatever surplus there is, can be made to earn some interest. Amounts in excess of even immediate requirements may be invested as deposits liable to recall on 30 days' notice. The loan recently floated entails a very heavy expenditure on inter-

NOTE—Contn. sheet.

est

2575

(4)

G. R. S. III-2,

General and Revenue
Secretariat.

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No.

interest and it is necessary to reduce such expendi-
ture as far as possible by investing the proceeds of
the loan in short term maturities, and earn as much
interest as possible on them. The Comptroller is
is, therefore, requested to consider the position
with respect to the total balance including that in
treasuries and suggest measures for reducing ^{the} net
interest charge on the loan to the minimum.

Handwritten notes:
p. 10
"investments" made "cons"
to be made at once
& funds from
re: 1000 by 11
very early
p. 10

Conced

Man...
30/1/1920

21/10

Transfer of Funds from London.

General and Revenue
Secretariat.

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of 19

Serial
No.

The exchange rate is steadily rising. For helping us in arranging for remittance of our London balance, the Bank of Bombay was requested to wire to us the daily rates of exchange. The annexed -- statement shows the rates reported in the tele-

notes
26/12/21

Notes

D. No. C 175

Chinches - free

Further D. No. & Telegrams

D. Exchange

Statement showing the same

7 Telegrams

D. No. 2806. 11 pages

Notes portion P.P.

First of notes forwarded
with D. No. 2806.

desirable to arrange for a remittance before the rate rises higher.

Our present balance with Messrs., Coutts & Co., is about £120,000 and I think we may arrange to transfer about £80,000 at a rate not exceeding 1s. 9d. the rupee. The rate is rising every day and it is well to place an immediate order for the sum of telegraphic transfers to the extent of the sum. If orders are passed today the Comptroller will be required to telegraph to the Bank immediately.

Heavy payments on account of the machinery orders for the Iron Works are expected before December next but what part of these payments have to be made out of our balance in London is not known.

The

Serial
No.

The current receipts from the sale of sandal oil and the balance of £50,000 out of the amount now with the Bankers may suffice to meet whatever part of the payment on account of Iron Works may have to be made from our London balance.

Just member) 2 yrs 1 hr 6/11/20
 then 1: 7 $\frac{3}{4}$ m. 11/20
 a def. 1/2 for 1/8.

Immediate

Forwarded to the Comptroller for payment of Comtermending the previous order for sale of T.T. for £5000 at not more than 18h 6d and for placing a new order at once for sale of T.T. for £5000 at not more than 18h 8d. I proposed 18h 9d in my note above in view of the telegrams of the Bombay Bank. The wires since recd from the same Bank show that the rate is now in the neighbourhood of 18h 8d.

McAlmon-Ran

8/11/20

W. 1/11/20

1/11/20

No. 146.

2293

37

R. S. III-2]

General and Revenue
Secretariat.

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of 191

Serial
No.He. O-eco. 138. R / 12-11-20
668. 138 R

I note below copy of Express telegram sent to Bombay Bank on 8-11-20 requesting them to sell Telegraphic transfer or London for £80,000/= at a rate not exceeding 1 shilling 8 pence the rupee.

I shall report further progress on receipt of information from the Bank about the sale.

"Please arrange to sell Telegraphic transfer on London for £80,000/= at rate not exceeding one shilling eight pence. Payment in London will be arranged as hitherto."

"Comptroller"

J. Satyanarayana
Comptroller.

To

The Financial Secretary to Government
of Mysore.

F. Secy

12/4

The order has not been carried out by the Bank of Bombay as the rate is above 18s 8d. I request reference to Statement flagged which shows the current rates

NOTE—Contn. sheet.

GEN & REV
J. S. S.

12 NOV 1920

23985

1748
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as intimated by the Bank in the daily telegram which it has been asked to send - The present rate is about 18h 8½ d and I think the rate which the Bank is authorised to accept may be raised from 18h 8d to 18h 8½ d.

The Madras Papers are quoting a slightly lower rate and in view of the enquiry of the Bank of Madras in a telegram of the 13th is put up. It will be seen that the Exchange Bank's selling rate is about 18h 8 d and the buying rate will naturally be higher. The Bank also states that business in the Madras market is unpracticable. It is not therefore possible to arrange for sale in that market.

In the circumstances stated above the rate for sale of Telegraphic Transfers to the extent of £ 8000000 the Bank of Bombay may be raised to 18h 8½ d.

First member)

yes, but

if it is done

count up the whole

same.

18/11/20

328
15/11

2293

89

G. R. S. III-21

General and Revenue
Secretariat.

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of 19

Serial
No.

Linked file

After I made the above proposal a telegram was recd from the Bank of Bombay yesterday stating that the Bank had sold £ 80000 at 18h 8d. It is not therefore necessary to raise the rate now. The balance left with Messrs. Cantt & Co is now about £ 50000 and we may wait for some time and watch the course of exchange before arranging for any further remittance.

The Comptroller will be asked to invest the amt now transferred (about Rs 960,000) in Three months Indian Govt bills or in short term deposits in the Madras Bank.

DEWAN'S OFFICE.
Recd. on NOV 18 1920
Reg. No. 3745

$\frac{36}{17''}$

160 9/22/20

Dewan (thru) - Sec 40 16/11/20
Joint member 17'' 18/11/20

20.11.20

Forwarded to the Comptroller for note and release.

22-11-20
1822/11

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No.163-R
UO No. 174 of 8¹²/₂₀
Book No.

The monthly minimum balances were fixed for the Treasuries some years ago when the volume of transactions was comparatively smaller. This year, however, there has been an abnormal return of small coins to all the treasuries in the State with the result that there is a large ineffective -- balance of about three lakhs. It will be some time before this balance can be reduced by issue to the public and by remitting old coins to the Madras Bank. A circular has however been issued to all the Treasuries that small coins may be freely issued to the public.

The minimum balance both in the Treasuries and Banks necessary during the months of December, January and February are worked out below:-

	1st Dec.	1st Jan.	1st Feb.
Treasury minimum balances as previously fixed	26.45	27.05	25.97
Addition necessary	5.00	5.00	5.00
Bank of Mysore			
Bank of Madras			
Bank of Bombay	15.00	15.00	15.00
Coutts & Co.			
Total	46.45	47.05	45.97
Ineffective Balance of 32 lakhs to be kept in the Mysore Bank as per agreement	32.00	32.00	32.00
Total, Rs.	78.45	79.05	77.97

The balance on 1st December according to the reports

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No.

reports now received works out to 86.60 as shown
below

Treasuries	33.13	
Mysore Bank	33.17	
Madras Bank	4.61	
Bombay Bank -		
Balance	14.12	} 9.12
Less	5.00	
against cheques		
issued for ~~the~~ ^{now} payment		

Coutts & Co.	6.57	The sterling balance has
	-----	been converted at
	86.60	1 sh. 6 d for purposes
	-----	of this note.

The average net outgoings in the month of December and January (without taking the payment of subsidy into consideration) are 10 lakhs and $4\frac{1}{2}$ lakhs respectively. Thus, the balances ~~on~~ on 1st January 1921 and 1st February will be 76.60 and 72.10 lakhs respectively which are roughly $2\frac{1}{2}$ and 6 lakhs below the ^{necessary} minimum for these months.

But we may expect another 4 lakhs immediately : from the sale of Securities of the 1929-47 5% Loan. Sterling Securities of the $3\frac{1}{2}\%$ stock of the face value of £ 29,300 have been sent to the Controller of Currency for sale to the Madras & Southern Mahratta Railway Debenture Sinking Fund and from this we may expect one lakh immediately and about 65 thousand in January. These two together will almost make up the 6 lakhs that will be necessary to take us on to the beginning of February. No amount is thus available

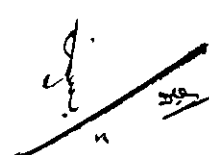
93
8-12Serial
No.

available for investment.

As regards the payment of the 1st instalment of the subsidy, a fixed deposit of 17½ lakhs will mature for payment on 28th January 1921 which will be available. There is no information available about the demands for Iron Works and any probable excess of other capital expenditure above the average. Such expenditure, if any, will have to be met from the sale proceeds of 5% Securities. (The Bombay Bank has still 10 lakhs of these Securities for sale) and by temporary borrowing if need therefor arises.

J. Satyanarayana Chetty
Comptroller.

CV/8-12



2051
11/12
Jesus

No temporary borrowing may become necessary. Should the try balance be found insufficient we may ask the Government to allow us to draw upon the loan money to be left with it as a temporary measure & this arrangement may be feasible as the deficiency of any may not exceed a few lakhs and the period of borrowing also will be 10-12 months.

112

General and Revenue
Secretariat.

File No.

of 19

Serial
No.vide page 7 of the
note

on P. & D.

from the Comptroller

No. 838 of the 28¹²/₂₀.In continuation
with ~~ref~~ to his previous note No 774 of 28¹²/₂₀.

states for reasons given that the cash
balance ^{for Jan & Feb} requires to be strengthened by
about 20 lakhs & suggests for consideration
the sale of securities or by the arrangement
for overdraft at the Bank of Bombay or madras

Subd/ for orders with reference to the trial.

Secy's note of 16-12-20.

28¹²/₂₀
lm

Borrowing from the Bank should be
prevented if possible.

It is not clear why the
Comptroller does not refer in his note
of 28¹²/₂₀ to the investments in
Presidency Bank fixed deposits. There
I believe is fairly large amount in
this form. Under the terms of the
investment I do not know if
can not be realised in the next
or two months. Perhaps this is the
reason ^{not} for taking this into
calculation. It is nec
to enquire what is the ear
date of maturity of the dep

Serial
No.

and what amount will be available on each date -

Under the arrangement made with the Mysore Bank it can use the cash proceeds of the loan recd thro' it for a period of 2 years with the consent of Govt. When we require a part of the amt for a short period the Bank should agree to release it. The Comptroller may correspond with the Bank and enquire what amt it can spare during the short period when it will be required. The terms of the understanding with it in this respect may be referred to my recollection to that mutual consent is necessary for using the loan proceeds.

As regards the demand on acct of Iron Works it is very difficult to provide funds if no notice is given. The reply to the Comptroller's enquiry may be awaited. If payment can be ^{made} towards the end of Feb next the situation will be considerably eased.

For the 1924-25 bonds we can not get anything more than its market value and there is no use holding out for an unrealisable price. The Comptroller may send up separate

Serial
No.

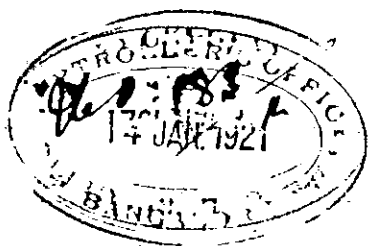
proposals for order of Council for disposing
of the remaining quantities of these bonds
at market prices.

The short term War Bonds
of 1922 & 1928 should not be sold.
We want them and their disposal
now will entail loss which can
be saved by keeping them till
the date of their discharge. We
have to keep some securities and
none are better than these War
Bonds. Besides, the amount of
these Bonds we hold is small.

We have not so far heard in
reply to our proposal to pay bonds in
full in March. If this is sanctioned by
C.I. the ways & means position will
become very easy this year.

We need some bonds of 1920
& 1921 towards the subscription to the
6th loan and it is not known if the
whole quantity has been cashed. If not
their immediate encashment will
give us some money.

For reasons stated above an
overdraft with the Bank may be necessary
& should if possible be prevented.
Inquiries may however be made of Banks of
Bombay & Madras by the Comptroller in a
general way for ascertaining the
terms under which accommodation



£ 20,000 - 8-420

15/11/1920

Can be obtained - ~~the~~
To The Comptroller
with Compliments

M. S. Srinivasan

NOTE—Contn. sheet.

My son
31-12-202

11/12

18/11

GEN & REV. SEC.

14 JAN 1921

Serial
199. R
CT 892
Banks

The investments in Presidency Bank fixed deposits amount as already intimated in my Unofficial Note of the 20th October 1920 to about Rs.48 lakhs and the dates on which the several deposits mature for repayment are noted below:-

Amount		Date of maturity
17,50,000	...	28-1-21
5,06,250	...	23-7-21
17,75,000	...	28-7-21
7,72,978	...	7-8-21
48,04,228		

2. The Deposit falling due on 28-1-21 is -- intended for payment of the first instalment of the subsidy falling due at the end of this month. This amount is not therefore available for expenditure unless the proposal to pay the entire subsidy in March next is agreed to by the Government of India. The other deposits were fixed up in October last till the close of the official year (when the deficit months commence) as it was expected that the realisations on account of the new loan would carry us through to the end of the current year. But, the bulk of the loan subscriptions has been absorbed by the Mysore Bank and much of the remaining portion was in the shape of old State Loan and War Loan Bonds and Savings Bank deposits and other trust funds bringing no new money to the treasuries. The payments on account of Iron Works have also been very heavy and

13
17Serial
No.

hence the need now felt for strengthening the balance.

3. Under the agreement with the Bank of Mysore (letter No. Fl. 523/GF. 289-19-22 dated 20-7-20 to the Chairman of the Board of Directors of the Bank) the funds subscribed to the New Loan through the Bank cannot be withdrawn for a period of two years without the consent of both the Government and the Bank, and this condition has also been held out to the Bank as an inducement for collecting larger subscriptions to the State Loan from the Bank's constituencies. In these circumstances, I am not sure if the Bank will agree to spare any portion of the Government balance held by them especially as the Bank's busy season has also commenced. From the confidential weekly reports sent by the Bank of Mysore it is observed that there is with the Bank a Cash balance of only 9 lakhs against 12 to 14 lakhs held by it during the previous years. It is evident therefore that the Bank cannot spare anything for us. I shall, however, address the Bank as suggested and report separately the Bank's reply on its receipt.

4. According to the latest cash balance reports the cash balance in the treasuries on 1st January 1921 was 31,31 excluding remittances in transit

Serial
No.

the amount of which is not still available. The balances in the Banks amount to 42,33 as detailed below:-

Madras Bank	...	5,31
Mysore Bank	...	32,18
Bombay Bank	...	2,70
Coutts & Co.	...	2,14

42,33

The Madras Bank balance has since been practically exhausted reducing the balance on 11th January '21 to less than 3 lakhs. Mysore Bank balance is entirely ineffective for reasons explained above. Bombay Bank balance and proceeds of sales of securities so far realised have all been utilised for payment to the Tatas on account of Iron Works demands. It is only from Coutts that we can think of withdrawing any amount and such remittance cannot exceed about £ 10,000 and that only if the demand on account of Railway engines is not very urgent.

5. The total face value of 1929-47 War Loan Notes which we hold after the recent sales is Rs.9,50,000/- and I do not know what demand there will be for the remaining quantity. All the Bonds of 1920 received as subscription to the New State Loan have been cashed except a small quantity of the face value of Rs.800/- which will also be realised shortly. The total value of 1921 Bonds which we now hold is about Rs.5,20,000 and can be

cashed

Serial
No.

cashed only during September 1921.

6. The Treasury balance of $31\frac{1}{4}$ lakhs is very much below the prescribed minimum of 39.05 and it is impossible to manage the treasury and to meet the heavy demands on account of the Iron Works even with this minimum and an addition of atleast 10 lakhs has to be made. We have therefore to think of adding to the cash balance immediately about $18\frac{3}{4}$ lakhs.

The main difficulty is with regard to the large payment of 12 lakhs immediately required for the Iron Works and I fear it is not possible to arrange for the payment without an overdraft. To arrange for this payment I have suggested to the Chief Secretary to Government that the Tata Iron and Steel Co., may advance the needful amount and charge interest in accordance with the arrangements with them. If this is not desirable the only alternative is to arrange for an overdraft with the Bank of Madras in which we have a fixed deposit of 48 lakhs. I have written to this Bank to enquire if it is going to release any portion of our fixed deposit immediately or at a given notice, and if not, whether it will advance us any amount pending maturity of the deposit. I enclose for information of Government copy of my communication to the Bank making the first enquiry. If it does not see its way to comply with this request

2206

2

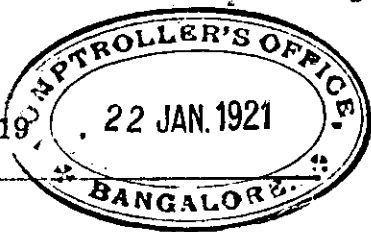
G. R. S. III-2]

General and Revenue
Secretariat.

File No.

of 19

22 JAN. 1921



Serial
No.

I shall then ascertain if it will advance about
15 lakhs against these deposits and if so on what
terms.

J. Satya Raj Chetty
Comptroller.

CV/12-1

Heard

1/1

18
15/1/21

I understand that the Madras
Bank has since agreed to release
the fixed deposits on condition of
reduction of interest from 6 to 4 p.c.
The necessary amt may be
obtained from the release and
the period of stringency tided
over — and

18/1/21

For public Comptroller
in relation of file
from Secy
For favouring note & return.
18
28/1

18/1/21

Serial
No.

flag B.

Subd. for orders with reference
to council opinion below of
22/3/20. Orders have been
passed on the Bank committee's
report. - Reference is invited to part of
the order. The Committee referred to therein
will have to go into the
(clear) question -

10/11
27/11
16/11-18/11
18/11

18-11

26

This may wait until the
reports of the two Committees
are recd and orders are
passed on them.

mmls

7.12.20

18
7.12

Others passed
New Government file
67-1-98-22-1

are not the

next one the

12.1

are

Please address reply to the Comptroller
to the Government of His Highness the
Maharaja of Mysore and refer to

No.

Books 891

CONFIDENTIAL

OFFICE OF THE COMPTROLLER TO THE
GOVERNMENT OF HIS HIGHNESS THE
MAHARAJA OF MYSORE.

Dated Bangalore, the 12th Jan. 1921

FROM

T. Satyaraj Chetty Esq., B.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore.

To

~~The Secretary & Treasurer,~~
~~Bank of Madras,~~
~~Madras.~~

SIR,

I have the honour to state that there are with your Bank
the following Fixed Deposits maturing for repayment on the dates
mentioned against each:-

Amount	Date of Maturity
1. Rs.17,50,000 ...	28th January 1921
2. " 5,06,250 ...	23rd July 1921
3. " 17,75,000 ...	28th July 1921
4. " 7,72,978 ...	7th August 1921

I am to request you to be so good as to let me know if it will be
convenient for you to pay back ~~immediately~~ any or all the deposits
except the first which matures for repayment on the 28th January 1921
immediately or later on and if so when. I shall be obliged for an
immediate reply.

I have the honour to be,
Sir,
Your most obedient servant,

Sd/- T. Satyaraj Chetty,

Comptroller.

'Copy'

CV/12-1

Superintendent, Comptroller's
Office, Records Section.

D-2806

G. R. S. III-2j

General and Revenue
Secretariat.

File No.

of 191

182-R

Serial
No.

U O No. 838/Books E/-2 of 28-12-20.

I beg to invite reference to my unofficial Note No. 774/Books dated 8th instant in regard to the Resource Operations during the months January and February. It was then anticipated that the cash balance as it then stood supplemented by the receipt from the sale of 1920-4 bonds would just suffice to meet our normal requirements till the end of February when the Revenue Collections would begin to be received at the Treasuries throughout the State. But in the meanwhile the price of the 29-47 scrip has fallen to about 75 and no sales can be expected at 77 the minimum price fixed. It is not also possible to estimate with any accuracy the receipts from the Forest Department and the Sandal Oil Factory. The Conservator of Forests and the Director of Sandal Oil Factory who were consulted have replied that they are not in position to give any reliable estimate and does not seem to be safe to rely on the actuals of the previous year. It is probable that there will be considerable falling off in the revenue from these sources as compared with the actuals of the previous year. There has also been a requisition from the Chief Secretariat for the payment of Rs. 12 lakhs to the Tata Iron and Steel

22

General and Revenue
Secretariat.

File No.

of 191

Serial
No.

Company during this and next month. I enclose herein copies ^{of the} of a letter and my reply thereto. If not the 12 lakhs, 7 lakhs at least may have to be paid before the end of January. The balances thus require to be strengthened by about 20 lakhs.

The two possible ways are the sale of securities and the arrangement for overdraft at the Bank of Madras or at the Bank of Bombay.

The securities that could be sold are

1929-47 bonds of the face value of	Rs 18,50,000
1928 bonds of the face value of	3,58,500
(tendered for as loan)	
and 1922 bonds of the face value of	1,09,000
(tendered for as loan).	

During the last few months the price of these securities has fallen. If Government decide upon selling these securities I shall watch the market and try to obtain as far as possible the best prices obtainable. The sales will improve our position to some extent but will not completely meet the excess of our demands over our present resources.

It may be necessary also to have ^{recourse} ~~to~~ temporary borrowing, and, if approved, I will correspond with the Banks of Madras and Bombay and ascertain their terms.

J. Satyanarayana
Comptroller.

The Financial Secretary

Mangalore

(24)

Letter No. Books. 437 dated 28th December 1920 from
the Comptroller, Mysore Government, to the Chief Secretary
to the Government of Mysore, Bangalore.

Adverting to your Memo No. 5777 dated 23rd December
1920 forwarding a copy of your letter No. 5776-I.S.1-20 of the
same date to the Tata Iron & Steel Co., Limited, Bombay, and
requesting me to arrange for the payment of Rs. 12 lakhs to the
Company, I have the honor to state that from your letter to the
Company it is seen that this sum is towards payments to be made
by the Company during this month and in January. It is not clear
what amount is wanted for immediate payment and whether the amount
of 5 lakhs, the payment of which has already been arranged for is
included in this sum of 12 lakhs. December and January are the
months of our lowest cash balance and it is not possible to
arrange for the payment of such a large sum without notice and if
there is no objection, the 5 lakhs already paid to the Company
may be utilized for immediate payment and the balance paid as
and when payments have actually to be made by the Company.

I request the favor of an early reply.

" C O P Y "

Ramamurthy 28/12

Superintendent,
Records Section,
Comptroller's Office.

SAM)

[Signature]

Letter No.5776/I.S.1-20, dated 23rd December 1920 from the Chief Secretary to Government, to the Tata Iron & Steel Co., Ltd Bombay.

With reference to your letter No.M.A.1082/20 dated 13th December 1920, requesting that arrangements may be made for remitting a sum of about 12 lakhs of rupees to you, for payments at New York during December 1920 and January 1921, I am directed to inform you, that the Comptroller has been instructed to remit 12 lakhs of rupees as desired.

2. In this connection, I am directed to request you to kindly send up a statement in detail, showing the amounts that have to be remitted to you for purchases of machinery, materials etc., entrusted to you, the amounts that have already been sent and the balance due to you on this account.

Memo No.5777

Dated, Bangalore, the 23rd December'20.

Copy of the above is forwarded with compliments, to the Comptroller, Mysore Government, with a request that arrangements may be made as early as possible, for remitting 12 lakhs of rupees to the Company at Bombay.

By Order,

(Sd.)

For Chief Secretary to Govt.

" C O P Y "

Blamington 28/12
Superintendent,
Records Section,
Comptroller's Office.

SAM

4

261

G. R. S. III-2]

General and Revenue
Secretariat.

File No.

of 191

1451
P.R. 2/21 4/-1

Serial
No.

Noted and returned. Two Fixed Deposit receipts for Rs.17,75,000 which was submitted Dewan and received back endorsed have been sent to the Bank of Madras for realisation on the terms offered by it. Out of this, 7 lakhs will be paid on account of the balance payable on a count of Iron Works. The balance of 10 $\frac{3}{4}$ lakhs is not likely to suffice for tiding over the period of stringency. The situation is however being carefully watched with a view to take timely action to strengthen the cash balance so as to be able to meet all demands till the middle of March next where only the revenue khist amounts begin to reach the State Huzur Treasury.

Copy filed

I place below the letter received from the Bank of Mysore in reply to my enquiry regarding the withdrawal of funds out of the State Loans collections with the Bank. I do not think it necessary to borrow any money from this Bank the terms proposed when we have about 27 lakhs of our money with it. I am therefore writing the Bank in reply that we are not going to draw the terms proposed. The Bank's remarks about mutual understanding is however a matter for consideration by Government.

J. Satya Nayak
Comptroller.

10

21

Letter dated 21st January 1921 from the Bank of
Mysore, Limited, to the Comptroller, Mysore Government,
Bangalore.

I am in receipt of your confidential letter of the
12th instant No.895 enquiring whether it will be possible for
you to draw to a small extent upon the funds obtained from
subscriptions to the State Loan by the Bank, and if so, under
what conditions.

The terms of agreement arrived at between the Bank
and the Financial Secretary is detailed in the latter's letter
of the 20th July 1920 No.F1.523/G.F.299-19-22, and in paras.
(2 & 3) it is agreed that all the funds, without any limit,
subscribed through the Bank will be allowed to remain in the
Bank and not withdrawn for a period of two years without the
consent of both the Government and the Bank.

The total public subscriptions received by the Bank
towards the recent State Loan amounted to Rs.43½ lakhs, and
which sum therefore comes within the provision of para.2 of the
agreement as the amount not withdrawable for 2 years; but at
your request the Bank modified its claim to the full amount of
subscriptions received through the Bank, and with our mutual
agreement Rs.40 lakhs was fixed. It is now observed that the
balance of Government in the Bank amounts to Rs.27 lakhs, and
there is no record in our office, prior to your letter under
reply, that the Bank received any request from Government to
draw on the Bank to the extent of this difference between the
40 lakhs and the present balance, or say 12 lakhs. You, now,
apparently desire to draw still further on the Bank to the
extent of Rs.5 lakhs to which I am agreeable, provided payment
is taken in Bombay on or about the 29th instant. Kindly advise
me if this arrangement is acceptable to you.

The

The conditions under which such drawings are permitted will be the same as exist between the Government of India and the Presidency Banks, viz. the Government to pay interest on any deficiency of balances at the current Bank rate for demand loans.

" C O P Y "

W. P. M. S.
Superintendent

Record Section

Comptroller's Office

G. R. S. III-21.

General and Revenue
Secretariat.



22. w. 6 80-920
25/1/21

Serial
No.

The Comptroller is requested to state how
the balance of 40 lacs is calculated
& if he has agreed to adopt this
limit for the amt to be left with
the Bank under the loan terms.
In a (handwritten) 24.1.21

Comptroller

U.O.No.1530/PD dated 31st January 1921

Copies of the letters that have passed between
the Bank and this office with regard to the loan -
amount to be left with the Bank of Mysore are placed
in the file. A limit of only 32 lacs has been recog-
nised. Vide letter No.602 Books dated 20th October -
1920.

Satyajay Chetty
Comptroller.

MSR/31-1.

22. w. 6 83-920
25/1/21

Has the Bank agreed to $\frac{18}{22}$
the 32 lacs limit? Has there
been any correspondence subsequent
to the Bank's letter of 28th October last?
What were the terms in which the
the Bank were read & to
what amt in each form?

To The Comptroller
with Comptroller

24.2.21
18/2

20

Copy of letter No.G.15/1054 dated 14th October 1920, from the Bank of Mysore, Bangalore, to the Assistant Comptroller, Bangalore.

=====

As personally requested by me last week I shall thank you to send me a cheque on the Madras Bank, Bangalore, for five lacs of rupees and one on Bombay for the balance of three lacs odd if the latter suits you.

You know I never ask you unless I badly want funds.

=====

2. Copy of D. O. letter No.572/Books dated 15-10-20 from the Comptroller in Mysore, Bangalore, to the Manager, Bank of Mysore, Ltd Bangalore.

=====

Your D. O. letter No.G.15/1054 of the 14th instant asking me to send you a cheque for 5 lakhs of rupees on the Madras Bank and another for 3 lakhs and odd on the Bank of Bombay. The balance to the credit of Government account with your bank is about 35 lakhs as per your latest advice dated 9th October 1920.

Please therefore let me know why the additional transfer asked for is necessary.

=====

3. Copy of D. O. letter No.G1.15/48412 dated 19th October 1920, from the Manager, Bank of Mysore, Ltd., Bangalore, to the Assistant Comptroller, Bangalore.

=====

Your D. O. No.572/Books of the 15th instant. Excluding Bank subscription of ₹10 lakhs the subscriptions for the Mysore loan collected by us amounts to over 43 lacs. Your credit balance at present is about 35 lakhs and therefore the difference is asked for.

Please send a cheque very early and oblige.

=====

4. Copy of D. O. letter No.602/Books dated 20th October 1920, from the Comptroller in Mysore, Bangalore, to the Manager, Bank of Mysore.

=====

Your D. O. No.G1.15/48412 dated the 19th October 1920.

The

10

(31)

The cash subscriptions to the loan received from the Bank is only about ~~40~~ 42 lakhs. Excluding from this the Bank's own subscription of Rs 10 lakhs, I am bound to keep with the Bank only 32 lakhs in terms of the Financial Secretary's letter No.F1.523/G.F.289-19-22 dated the 20th July 1920. Thus there is an excess balance of Rs 3 lakhs with the bank and it is reserved for meeting current requirements.

=====

5. Copy of D. O. letter No. 'nil' dated 20th October 1920, from the Manager, Bank of Mysore, Bangalore, to the Assistant Comptroller, Bangalore.

=====

Your D. O. No.602 of date. I have carefully reread the Financial Secretary's letter No.F1.523 G.F.289-19-22 dated the 20th July 1920 and cannot find therein any support whatever to your surmise that the notification covers only cash subscriptions. In fact I don't find the expression "Cash Subscriptions" anywhere in it, and in the credits we have afforded to the Dewan's Account we have included all forms of subscriptions accepted by you for the loan. I shall thank you to read the notification again and let me know if I am out.

=====

Copy

Superintendent

Superintendent, Records Section,
Comptroller's Office.

MSR/31-1.

Serial
No.1052
Books 2/17-2-21GEN & REV. SECY
19 FEB 1921 *cm*54th 21.

There has been no correspondence subsequent to the Bank's letter of 20-10-20 in the matter. When the balance fell below 32 lakhs in November last it was restored and the Bank was satisfied. The balance was maintained at the level of 32 lakhs for a long time after that ^{and it} ~~audit~~ was only from the beginning of January last that it began to ^{to} ~~shadily~~ decline on account of the stringency for money during this period of low cash balance. The bank's balance having recently fallen below 25 lakhs arrangements have been made to remit to the Bank a sum of 5 lakhs out of the fixed deposit of about 13 lakhs recently broken under special arrangements with the Imperial Bank of India, Madras Circle. It is not possible to make further remittances to the Bank just now as the cash balance in the treasuries and in the other banks is very low and is hardly ~~xxx~~ enough to meet current requirements. It is doubtful if this is possible even after the revenue collection reach the head quarter treasuries. Endeavour will however be made to meet the requirements of the Bank as far as possible and to raise the bank balance to the limit of 32 lakhs agreed upon.

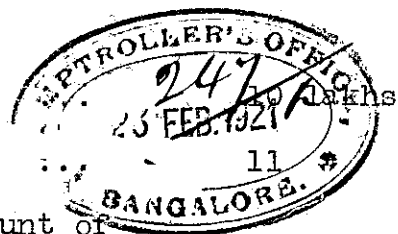
More than 32 lakhs it is not possible to allow to the Bank. The Bank's subscriptions to the loan were as under:-

8324

Bank's own subscription

Subscription in war Bonds

Cash subscription on account of
Bank's constituents



33

32 "

53 lakhs

It is the last item that the Bank has been allowed to re-
tain with it under the understanding of 20th July 1920.

In reply to the Bank's letter of 11-2-21 since received
and sent to me by the Financial Secretary, I think we may
say that the bank balance will be raised to 32 lakhs or even
to some 2 or 3 lakhs more before the middle of next month
if not earlier. If the Bank should have any difficulty
in having to wait so far, special arrangements will have to
be made to place funds at its disposal out of the temporary
borrowings to be made this year. This demand will be in-
cluded in the amount of temporary borrowings to be made in
connection with this year's Ways and Means operations if
the Bank's reply is communicated to me.

J. Satyanarayana
Comptroller.

[Handwritten signature/initials]

2048
PD.
2694
21/2
J. Secy,
D. W. C. 94-420
25/2/21.

what is the amt of 1920
War Bonds recd. as Sub? 18
192
The loan thro. the Bank? These bonds
have been discharged and I think their
amt may also be treated as Cash.

Yours
22.2.21

To the Comptroller

Had it been settled to accept
Securities as Sub? when the
arrangement with the Bank was
made. 22.2.21

[Handwritten note]

Serial
No.

U.O.No.1783/PD dated 4th March 1921

The value of war bonds of 1920 received from the Bank on account of 'subscriptions to the loan is -
Rs2,90,050.

2. When the agreement was arrived at with the Bank regarding ^{the} terms on which the Bank was to co-operate with Government in procuring subscriptions to the loan, it was understood that only cash subscriptions would be received to the loan. The idea of receiving subscriptions to the loan in the shape of war bonds, was a later one and was sanctioned by Government in their orders G.O.No.F1.1227-34 G.F.141-20-5 dated 10th August 1920 and F1.2407-G.F.289-19 dated 21st September 1920. The Financial Secretary's letter to the Chairman to the Board of Directors, Bank of Mysore is an earlier one having been written on 20th July 1920. It refers to the subscriptions to the loan from the constituents and the public and does not specify the form of subscriptions, as only cash subscriptions could then be received.

3. The total amount of applications to the Bank received in cash and other forms from the Bank is follows:-

Cash	42,25,000
War bonds of 1920	2,90,000
War bonds of 1921 and later years	4,55,000
4% Mysore State Loan Notes	8,000
5½% Mysore State	2,97,000
Conversion Loan Notes	
	=====
Total	52,75,000
	=====

NOTE—Contn. sheet.

POSTS

TELEGRAPH

35

156

NOTICE.

This form is to be filled up by any person sending a telegram.

Charges apply.

Re.

Ac.



To be filled up at office of origin.

Date

Hour

Minute

Service by telegram.

Words

Boulton

5

17

35

X

11

TO

Local here at

19 B.

59

M

Comp = Foller my son
 Govt. Prand. Lora

of land one shilling nine

for son

Throth =

P.T. - The name of the Sender, if telegraphed, is written after the text.

Lal Chand & Sons - 3312 - 1-10-19 - 2,00,000 (Lah. Bank. 1).

Wm

3

141

POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay

Rs.

As.



Transmitted at (Office of Origin).

Date

Hour

Minute

Service Instructions.

Words.

Bombay

4 15/53

X

13

Read here at

17

H.

10

M.

*Comptroller Mysore Govt
Bangalore*

*Abode one shilling eight
pence half penny
= Thistle =*

V.M.W.

POSTS TELEGRAPHS



(2)

152

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay

Pa

As

Office



Transmitted in at (Office of Origin)

Date

Hour

Minutes

Service Instructions

Words

TO Bombay 3 11 45 X 11
 Recd. here at 16 55

Comptroller Mysore Govt
 Bangalore

Abode one shilling eight
 pence, ~~date~~ = thistle =

POSTS & TELEGRAPHS.



NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.

Office Stamp

Re.



Service Indemnity

W. Prod.

Handed to at (Office of Origin)

Date

Hour

Minute

Bombay 7 14 30

TO

Comptroller
myself

Recd. here at

B.

at

Bombay X

abode one shilling
seven pence three
fourths
Thistle

N.B.—The name of the Sender, if telegraphed, is written after the text.

Ed. Chand & Sons—2339—J. 6-19—1,40,000 Bks., Edn. IV.

C. 1/18/20
 24.57m
 12

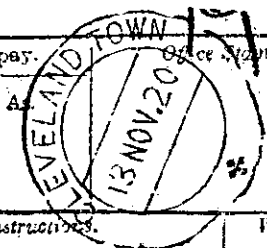
POSTS TELEGRAPHS.

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.

Rs.



Office No. 1212.

Handed in at (Office of Origin).	Date.	Hour.	Minute.	Service Instructions.	Words.
C. 1/18/20	13	11	30	10	12
TO: Comptroller	Recd. here at			18-11	216 M.

Comptroller
 - m : 8200 - Prob
 Bangalore

~~also~~ Abode, one
 shilling light
 pence three eighths
 Thistle

N.B.—The name of the Sender, if telegraphed, is written after the text.

C.

28th 22

POSTS



TELEGRAPHS.

(41)

148

NOTICE.

This form must accompany any inquiry made respecting this Telegram.

Charges to pay.

Rs.

As.



Handed in at (Office of Origin).

Date.

Hour.

Minute.

Service Instructions.

Words.

Bombay
18

E

15/12

Recd. here at

E

12

M.

Comptroller
Mysore Government
Bangalore

16/12

abode one shilling eight
 pence one eighth
 This is

N.E.—The name of the Sender if telegraphed, is written after the text.

Est. Chand. Nos.—3342—15 10-19—2,00,000 Rs. 1/10/1.

C.

X

if 6-11-20
(7-30 pm)

Q

POSTS



TELEGRAPHS.

(42)

259

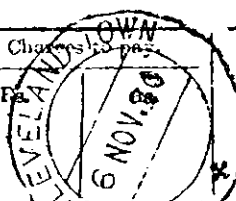
NOTICE

This form must accompany any inquiry made respecting this Telegram.

Charges to pay

Office Stamp

P



Handed in at (Office of Origin).

Date.

Hour.

Minute.

Service Instructions.

Hour.

Bombay

6

16

55

X

13

TO

Recd. here at

18-20

42

Comptroller

Muzer Government

Bangalore

about one shilling
eight pence O. neget
Threstles

N.B.—The name of the Sender, if telegraphed, is written after the text.

6

Post

11.11.20



POSTS & TELEGRAPHS.

(43)

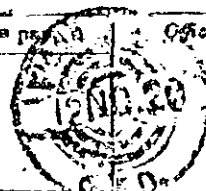
107

NOTICE

This form must accompany any inquiry made respecting this Telegram.

Charges to pay Office Stamp.

P.



Entered in at (Office of Origin)	Date	Hour	Minute	Service Instructions	Words
Bombay	12	15	35	X	13

TO Comptroller Mysore
Government Bangalore
Abode one Shilling Eight
pence three Eighths

Send here at 15 H. 50 M.

= Thistle =

(44)

Serial
No.Immediate

Sent Compt 11 PM

let to file with
last communication

12-1-23

The rate quoted in the Madras Market is slightly lower and I think it is well to enquire of Sir Bernard Hunter if T.T. on London for £80,000 can be arranged to be sold by him at a rate not exceeding 18s 8d (The Madras rate 12th inst as quoted in papers was 1.7 $\frac{7}{8}$) and if he can, the order placed with the Bank of Bombay may be cancelled and the Bank of Madras asked to arrange for the remittance. I shall be obliged if the Comptroller will kindly ^{at once} give to the Bank of Madras regarding the current rate and the possibility of selling £80,000 immediately and ask for an answer by telegraph if possible today so that further action may be taken at once.

C.

amilton
Camp. 11/11/1911
M. 11/11/11
11/11/11
11/11/11

103



TELEGRAPHS.

109

NOTICE

This form must be filled in by the sender of every telegram.

Charges to pay.

Rs.

As.

145



Language in (Words or Groups)

Index

Hour

Minute

Service in fractions.

Malay

13

15

-

16

TO

Controller.

Rel. h. n. at

16/11/11

- also -

Power Telegram Business
is practicable as the
selling now at 100
and eight Pence
Europe

If the name of the sender, if telegraphed, is written after the text.

for your information
I forward herewith telegram of 13th Nov^r '20.
from the Bank of Madras, Madras, received in
reply to my telegram of that date.

I am, Sir, very truly,
Yours faithfully,
Comptroller

15. 11. 1920.

To

The Financial Secretary of
to the Govt of Mysore.

Course of Exchange.

57

Month & date.		Rate per rupee. Shillings. Pence.	
1920.			
Octr.	14th	1	8
	15th	1	7 $\frac{3}{4}$
	16th	1	7 5/8
	18th	1s.7d. to	6 $\frac{3}{4}$
	19th	1s.7d. to	7 $\frac{1}{4}$
	20th	1	7 $\frac{3}{4}$
	23rd	1	7 $\frac{3}{4}$
	25th	1	7 3/8
	26th	1	7 $\frac{1}{2}$
	27th	1	7 $\frac{1}{2}$
	28th	1	7 $\frac{1}{2}$
	29th	1	7 $\frac{1}{2}$
	30th	1	7 5/8
Novr.	1st	1	7 5/8 to 8 $\frac{3}{4}$
	2nd	1	7 $\frac{3}{4}$
	3rd	1	8
	4th	1	8 $\frac{1}{2}$
	5th	1	9
	6th	1	8 $\frac{1}{4}$
	8th	1	8 $\frac{1}{8}$
	12th	1	8 $\frac{3}{8}$
	13th	1	8 $\frac{3}{8}$

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE - 874 EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

The Bank of Mysore Ltd.

Bangalore, 11th February 1921

Confidential -

Dear Mr. Krishna Rao,

I beg to invite your kind attention to the present balance at credit of Government being 16 lacs below the sum agreed to be in deposit, in terms of your letter of the 20th July 1920 No. FL 523/G.F.289-19-22, and to point out this withdrawal, without notice and even indication of the extent of your likely drawing, compels me to decline financial assistance to our constituents, at a time when their requirements are greatest. I venture to hope you will shortly be in a position to fulfil the obligations of Government as agreed upon, as otherwise as a matter of precaution it will be necessary for the Bank to approach Government for the temporary accommodation provided for in para 1 of your letter above referred to.

16
12/2

The inconvenience which the Bank is put to is due firstly to our inability to effect any sale of our holdings, amounting to Rs.35 lacs, of Mysore Government Securities in the Calcutta, Bombay and Madras Stock Markets, and the persistent and legitimate demands of the merchants for financial assistance. If we had been made aware last October of the likelihood of Government requiring to draw to some extent against their funds in deposit for two years, it would have been easier for me then to have called in advances, but with the disinclination of all Banks to make advances, coupled with the present time being the harvest season, our merchants would be seriously inconvenienced were I to compel them now to meet their obligations to ^{the} Bank. I shall be glad to hear if the Government has come to any agreement with the Imperial Bank of India, in the matter of its advancing against ~~the~~ Mysore Government securities, in which case our course of action will be clear.

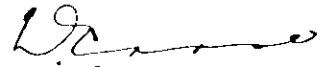
50

-3-

SANDALWOOD FACTORY. I observe that the balance at present available to the Factory is about $2\frac{1}{2}$ lacs, and if this full amount is to be paid by us, I hope you will arrange for funds being provided in advance.

Please excuse my troubling you, but I hope you will appreciate my position in the present very critical conditions prevailing all over India.

Yours sincerely,



M. N. Krishna Rao Esq., B. A.,
Financial Secretary to the Government,
of His Highness the Maharaja of Mysore,

B A N G A L O R E .

Issued 14/3.

Dear Mr. Rose,

I have read with interest your note regarding the present position of the Bank of Mysore and the ways and means of increasing its usefulness sent with your letter of the 12th instant. I think we had better settle first on Monday next ~~the~~ the preliminaries as regards the Committee's line of work. We might then arrange for informal discussion on ~~any of~~ the points ~~if~~ considered necessary. *Yours*

Yours sincerely,

W
14 3

18
17/8/20
To

W. C. Rose, Esq.,
Manager,
Bank of Mysore.

The Bank of Mysore Ltd.,

Bangalore, 12. Decr 1920

Dear Mr Banerjee

I take the liberty
of enclosing a note handed
addressed to the Directors of
the Bank which I hope may
prove useful in our forthcoming
deliberations. If you ~~concur~~, I
will call them an informal
discussion in any event. You
may desire further information
Yrs truly
A. B. Banerjee
Suppl. Secy

21st February 1920

To

The Chairman & Directors of
the Bank of Mysore, Ltd

Gentlemen,

In view of the proposal of Government to appoint a Committee to consider the present position of the Bank, and consider ways and means for increasing its usefulness, I think it might be helpful if I submitted a general memorandum on the working and steady progress of the Bank since its establishment in October 1913, and the measures &c. I think suitable for its further development.

1. It is unnecessary for me to repeat here ~~xxx~~ the figures showing the progress of the Bank during these past 6 years as the accompanying Chart clearly exhibits the various stages of advancement under the following heads of accounts.

Under liabilities:

1. Capital,
2. Reserve Fund,
3. Public Floating accounts,
4. Public Fixed Deposits,
5. Govt. Floating balances,
6. Govt. concession deposits.

Under Assets.

1. Cash & Investments,
2. Advances of all kinds,
3. Sundry Assets.

2. I, also, enclose a statement showing the Bank's turn-over in (i) the total amount of advances repaid by debtors to the Bank up to 31st December 1919 (ii) the total cash turn-over, and (iii) the net profits for each year. The most prominent feature in Chart 1 is the

Recy.
2
12.7

steady progress made by the Bank under Floating balances and fixed deposits. 'It will be observed that Government balances show frequent and sudden fluctuations rendering their utilization impossible with safety. On the Asset side it will be perceived that Cash and Investments show a steady increase every year, and the percentage of cash to demand liabilities on 31st December was 72%. The percentage to all liabilities, excluding the Government concession deposit, was 51%. If I treat the uncalled capital of the Bank of 10 lacs as a Reserve, which it undoubtedly is, our actual cash, investments and uncalled capital on the 31st December 1919 represented 55% of all liabilities, inclusive of Government deposits. This compares with 53% in the case of the Bank of Bengal and 51% for the Bank of Madras. The proportion of cash to Government balances on the 31st December 1919 was 288% as against 100% only required under the Government Agreement of March 1918, while the proportion of Government floating balances to public deposits of all kind was only 9½%. If I now take our total capital, including uncalled capital, and reserves the proportion of these to liabilities of all kinds is over 24% as against 9% in the case of the Bank of Madras.

I venture to submit that these figures show the strong and sound financial position of the Bank which I make bold to say is second to no Bank in India, and the infinitesimal risk, if any, the Government and the public have incurred in keeping their balances with the Bank.

3. The large amount of the turnover in advances shown in the enclosed statement to 31st December 1919 indicates the great assistance the Bank has rendered to the trade of the State in the short period of its existence. And from the proportion of profits to the working

resources of the Bank it is clear that no excessive profit has been made, especially, if a small allowance of 1/4% be deducted to cover risks incurred.

These results which I have ventured to put before the Directors have more than justified the establishment of the Bank, and further I have no hesitation in saying that the trade of the State during the great War would have been severely crippled with Multani and Marwadi still the sole Bankers and more secure than ever in their grip on the trade and people of the State. That a young Bank to have made such quick - - progress, and to have been of so great a benefit to the general public, must be matters of congratulation to all concerned in its flotation.

4. Bank's Capital. The Bank's present capital is undoubtedly too small for the heavy calls now made on it for finance. This pressure has been greatly accentuated the last 2 years by the higher level of prices prevailing for all commodities. A merchant who was satisfied with an accommodation of Rs.100 in pre-war days now requires Rs.250/- To have increased the Bank's capital during the War would possibly have been resented by the Government of India in consequence of the restrictions in force in India to the issue of fresh - - capital. The Directors last July resolved to double the Bank's Capital, but the proposal was rendered infructuous last December through ill advised opposition on the part of a small minority of shareholders. The rejection of the proposals of the Directors is much to be regretted reflecting as it somewhat does a want of confidence in the judgement of the Directors, and one which would not be expected from shareholders of a flourishing Bank either at home or in British India.

5. Extension of Banking facilities in the State.

I cannot help thinking that those who are insisting on the opening of fresh agencies of the Bank have no real idea of the difficulties and dangers of having a large network of agencies totally unsupported in the way of deposits, but relying entirely on accommodation from the Head office. It is not possible for any Bank to work successfully solely on the capital obtained from shareholders unless the rate of interest charged on advances is high enough to pay the customary dividend to shareholders, and to cover all working expenses. The absence of cheap capital in the mofussil is the one serious hindrance to the development of Banking in India. It is not what we have had no experience of the truth of this statement, for excluding Mysore Branch, our eight agencies on the 31st December 1919 were only able to show under Rs. 2 lakhs in deposits of all kinds as against exceeding Rs. 20 lakhs advanced by Head office for loans. I will not discuss the reasons for this inability to draw deposits from the public, but one reason undoubtedly is the habit of investment of monies in land and properties and on which is generally based the credit of the owner. It is well known that money is advanced by private money lenders on reasonable terms with the ulterior object of foreclosing on the mortgaged property. Then, there is the question of the general indebtedness of the people. Under such circumstances, what is the kind of business, of a liquid nature, that a Bank like ours can expect to secure? There is but the produce of the cultivator or the middleman, a form of advance which the Directors are most willing to encourage, but hitherto they are met with the purely sentimental objection of the local merchant to pledge same - preferring to permit his produce to be taken outside the State on credit by the Lubbay merchant,

and to borrow locally for his further need ! A l l suggestions to draw bills on his buyer are declined chiefly perhaps of the necessity to meet same promptly at maturity. The trade at Shimoga, Sagar, Tumkur and Tiptur is chiefly conducted in these methods. There is nothing to prevent a well established merchant, say at Birur or Hassan coming to the Head office of the Bank, or going to our Shimoga or Chickmagalur Agents, and having his bills discounted if the parties to the bill are genuine traders. It is well known that the Multanis and Marwadis finance their operations in the State by forwarding their bills to the Presidency towns for discount. It is equally possible for merchants in the State to do the same with us. They naturally prefer to have a local agency as such ~~facilitates~~ facilitates the working of the cash credit system, but as I have said our resources are limited, as well as our staff, and an increase of agencies can but react on the funds we have provided for our existing agencies. I cannot too - - strongly impress upon the minds of the Directors the difficulty that would arise if I wished to secure the repayment of 20% of our advances during a period of acute stringency in the money market. On the one hand those who are indebted to Multanis will be first severely pressed for repayment, and with the Multanis themselves pressed to meet their own acceptances in the hands of the Presidency Banks it is not difficult to realize that our merchants have no one to go to for new accommodation. The only practical solution is to raise the rate of interest so as to induce a fall in the price of commodities and thereby induce buyers from outside the State.

6.. Relation with Government. Obviously for a Government committed to a policy of Industrial and

Economic development, it is desirable that its relations with the principal Bank of the State should be one of the friendliest with the closest co-operation. I think, the experimental stage of the Bank can be said to have been safely passed, and what is now required is for Government to demonstrate its full confidence in the Bank's financial position. The financial assistance so far received from the Government has been limited to the original deposit of ten lacs - a moiety free of interest and the remainder at $4\frac{1}{2}\%$ interest per annum. The terms of the Government Agreement of March 1918 are such that no portion of the Government floating balances deposited with the Bank is capable of being utilized as 100% has to be represented always by cash at Head office and a further 50% in Government securities with no ~~assurance~~ assurance of the maintenance of a minimum balance at all times. The extreme fluctuations in the balances as shown in Chart No.2 clearly show how uncertain it was for the Bank to rely to any extent on a reasonable balance being always maintained. How far our local competitor was similarly treated it is not possible for me to know, but if the average balances left with us represent $\frac{1}{3}$ of Government funds lodged with the Bank of Madras in Bangalore, then it is apparent that the amount of Government balances in Bangalore is not of large dimensions. But then it is obvious that Government must have funds in Banks outside the State, if not within, and how far such a practice is more profitable or advantageous to the Government is again a question of which the Financial Secretary is the sole judge. Now this absence of Government funds has not been without a lesson to the Bank for ^{it} ~~it~~ has been the means of forcing the Bank to conduct its operations during the past 6 years without being dependent on Government - a feature which cannot be claimed by the

Presidency Banks but on whose footsteps we are expected to follow. The question to consider is to what extent and from what sources is it possible for the Bank to secure additional working resources ? An important point which distinguishes the financial policy of our State is that the Government itself is the Bank's greatest financial competitor. All public funds such as Railway, Municipal, (with two exceptions) District Boards, Judicial and Revenue are either banked at the Huzur treasury or with other Banks. Also, the high rate of 5% allowed on Savings Banks, which receives monies without limit, is practically money at call cannot but have an adverse effect on the flow of monies to the Bank.

And, even, as regards its own monetary obligations to outside creditors the Government have drawing accounts at Madras and Bombay thus diverting to these Banks funds which would be of best assistance to the Bank in the financing of imports of the State. Here again it is not possible to say how far this action has been, or is, a remunerative one, in view of the fact that the Bank's commission for drafts issued to Government is limited to $1/8\%$, a sum which would be more than compensated by the interest Government would obtain from a deposit in the Bank even if the rate of interest received was as low as 2% per annum. We are a young Bank and it is but natural that Government should be in some doubt of our ability to carry out promptly all their financial requirements. It should, also, be remembered, we stand alone in the State, and that outside aid, apart from being expensive, would be an indication of our inability to stand on our own legs. But, the position would be different if we could look to temporary assistance from the Government when trade is very active. The despatch of the Government of India to the Secretary of State

dated 25th June 1919 very clearly shows the extent to which that Government have always assisted the Presidency Banks in the matter of freely placing their finances with those Banks, and how such financial assistance has been the means of benefitting the whole country and even assisting the Government. In the case of the future Imperial Bank of India the Government of India state "that their responsibility for the stability and "good working of the Bank cannot in practice possibly "be evaded. The mere fact that it will be entrusted "with the whole of Government Funds will make its "stability a matter for the state of the gravest concern, "and we do not see what useful purpose will be served "by any attempt to obtain security by less direct methods "or to avoid a frank recognition of the interests involved"

All that the Government of India propose to do with a view to protect the interests of the State is "to have "a representative upon the governing body of the Bank "whose functions would be to keep us in touch with all "important developments in the Banks general policy, "and who would possess the statutory power of holding "up action on any matter of high importance as affecting "the interest of Government or the safety of its balances "pending our orders thereon"

Would it be expecting too much from our Government for a similar benevolent policy to be adopted in the case of the Bank of Mysore ? In return for the Government guaranteeing the liabilities of the Bank, as apart from its capital, it would be possible for the Directors to specifically undertake to always reserve 50% of the Banks uncalled capital as security for the Government; and to insist at all times on a cash balance and Govern-
ment

investments being equal to 30% of the Banks total liabilities excluding capital. There would be in addition the whole of the Bank's general assets and reserve funds. Thus assuming the Bank's capital to be 50,000 shares of Rs.100 each with 20,000 shares as fully paid and 30,000 shares only Rs.50 paid up, one half of such uncalled capital would represent 15 lacs. Next estimating our liabilities to be two crores it would be incumbent on the Bank to maintain cash and securities amounting to 60 lacs. Including the Banks Reserve Fund, which at present is over 5 lacs, we arrive at a total over 80 lacs of cash^{securities} and reserves to cover a total liability of two crores ! Before Government could suffer any loss in the payment of the two crores of liabilities it would mean that about 70% of the Banks general assets would have to prove worthless - a contingency as remote as the bankruptcy of the State itself.

7. The results to be expected from a Government Guarantee of the Bank's public deposits.

Obviously one result would be an increase in the Bank's working resources at a favourable rate of interest and more likely to come from depositors outside the State. My reason for anticipating this flow of foreign capital is that such capital would not be subject to the high income-tax in force in India, and if this foreign capital is desirable for the development of trade and industries of the State it should be encouraged in every possible manner and not induced to be hoarded in gold and silver. This is perhaps one reason why the Multanis and Marwadis have flocked to the State in such large numbers. Further from the confidence which the outside public would have in the Bank consequent upon this Government guarantee, it would facilitate the establishment of foreign branches by securing the

desirable local capital for the working of the Branches, and thus retaining a greater portion of Mysore monies for the Banks operations within the State. Another gain would be the avoidance of the issue of fresh capital involving the payment of a high rate of dividend, and in its place the creation of guaranteed stock carrying a fixed rate of interest and for a stated period.

8. The position of Government as guarantors.

I have already shown in para 6 the security which the Bank could provide in order to safeguard the Government from any pecuniary loss by their assuming the position of a guarantor of the Bank's public liabilities other than share capital. Now it is only fair to consider the benefits likely to accrue to Government, and also to the peoples of the State by the Government undertaking such a responsibility. Firstly, it is clear that the Government policy of development of industries and trade would be greatly facilitated by an increase of working resources secured at a reasonable rate of interest. The Government of India in their despatch to the Secretary of State state that "in our opinion preliminary to any widespread growth in Banking is the establishment of a strong unified Bank in intimate relations with the Government and with a large number of Branches throughout the country." I have already quoted the opinion of the Government of India on the subject of the moral responsibility which they will incur by making over the whole of the State funds to the Imperial Bank of India, and inferentially the only way we can have a strong Bank in this State capable of fully meeting trade demands and assisting the Government in the economic policy is for Government to give their guarantee to the Bank. By so doing it would not necessarily follow that Government should make over all their funds

at once to the Bank - a reasonable reserve to meet such a contingency as a famine is no doubt desirable - but without a strong semi-state Bank of the nature contemplated by me I fear it would take years before the Bank of Mysore would be in a position to undertake half the business offering in the State, or to be of any - - assistance to the Government in the carrying out of their industrial development policy. The only safeguard which the Government of India contemplate in the case of the Imperial Bank of India is the appointment of the Controller of Currency upon the governing body of the Bank. Our Articles of Association to some extent give the Government a control over the Bank's affairs by permitting under Art.150 the inspection of the books and accounts of the Bank. Under Art.3(C & G) of the Memorandum of Association the Bank is also empowered to enter into an arrangement or agreement with the Government for the purpose of acting as Bankers to the Government and to uphold and support the credit of the Bank and to obtain and justify public confidence. But the assumption of such responsibility by Government as proposed should carry with it by way of a quid pro quo some measure of benefit to Government as there can be no objection to the Government having a first call on the funds of the Bank, say to the extent of 25% of its working resources, apart from the funds of Government, and at the same rate of interest as paid by the Bank for its fixed deposits obtained from the public. Other benefits would lie in the management of the public deposits, savings Bank and treasury work &c.

From my remarks it must not be concluded that I desire any control or interference on the part of - - Government over the Bank's ordinary business; this must remain as unfettered as at present, but only an

arrangement which will keep the Government, by the appointment of the two ex-officios - Government Directors in intimate touch with the working of the Branch and the assurance that the funds of the Bank were being utilized in the best interests of the State.

G. R. S. III-2]

General and Revenue
Secretariat.

File No.

of 191

Serial
No.R. 187
1 MAR 1919

To the Comptroller to Government with compliments for favour of opinion on the accompanying draft letter put up to the Secretary and Treasurer, Bank of Madras & return during the coming year

day *M*
15/3

BEA. & W. S. 8
25 MAR 1919

Note 183/R of 15.3.19.

The question is an important one and some time is required for studying it. I do not think I can read all the relevant papers, study the statistics relating to our balances with the Bank and form my views on the question within the few hours allowed to me. There is besides the budget work ^{now} and it is difficult to find time for any other work. If I am allowed some time - say a week or ten days - I shall study the question and submit my views on it.

mayllesim Rans

15-3-1919.



I shall be obliged if this is done within a week.

M
17.3.19
Note no: 189/R of 24.3.19

I think it is necessary to consider this question in the light of the previous correspondence, of the Bank rates since the period when the existing Agreement was entered into and also of the level of the balances which we now keep with the Bank

compared

64377

Ref & ltr
75 MAR 1919

Serial
No.

compared with the average of that in 1905 and one or two previous years.

The arguments advanced by the Bank for reducing the rate of interest payable for April, May and June were two, namely,

(1) "The bulk of the Government funds are deposited in the second quarter of the year - April to June - when the demand for money has ceased and the Bank has consequently to pay interest upon a large unemployed balance during that period."

(2) "The results of the closing of the Mint and the introduction of a Gold Standard are beginning to make themselves felt and the value of money generally is settling down to a lower level so that in all probability we shall not again see the high rates of interest of a few years back."

The Bank's contention that the demand for money ceases by the beginning of April is not quite tenable. I append a statement showing the Bank rates for 17 years, i.e., for three years previous to 1905 and for all the years from that year. It will be seen that the demand continues throughout the second quarter-April to June - of the year, though it is not quite so strong as in the first quarter. The demand really commences towards the end of

General and Revenue Secretariat.	File No.	of 191 .
Serial No.	November and after a slight advance in December reaches a level which it practically maintains more or less throughout the six months from January to June. In such circumstances, the busy season for the operations of the Madras Bank should be taken as one of not less than six months in the year and this is the view of the Bank itself as stated in the following extracts from its letters dated 13th November 1899 and 13th July 1903 to the Government of India, published in the Appendices to the Report (1913) of the Royal Commission on Indian Finance and Currency. "The Bank finds full employment for its funds for six months in the year." "The busy season in this Presidency extends to a period of about six or seven months." The argument of the Bank that its balance from April to June is unemployed and that it can not therefore pay interest upon such unemployed balance has not much force. The second argument of the Bank was based upon the expectation that the value of money would go down as the result of the closing of the Mints and the introduction of the Gold standard. The statement of Bank rates, which I have appended, shows that this expectation has not been realised	

NOTE—Contn. sheet.

Serial
No.

realised and that the value of money continues to be as high as, if not higher than, before. Neither of the arguments advanced by the Bank to justify the unfavourable terms which it imposed upon us in 1905 has any force and we may therefore ask for better terms now. But in one important respect the condition of our account with the Madras Bank has been considerably altered since 1905 and our claim for better terms now may not receive that consideration which it would otherwise have received. I refer to the appreciable reduction in the level of the balances which we are now maintaining with the Bank. I attach a statement showing the average balance at the beginning of each month calculated for the three years ending with 1905, towards the close of which year the Agreement now in force was entered into, and the actual balances in the last 4 years. It will be seen that the balances we now maintain with the Bank are much lower than the previous average. This is a very important factor influencing the question under consideration and it is not unlikely that the Bank will advance it as an argument against allowing us more favourable terms. Several causes have contributed to reduce the balance of our account with the Madras Bank:-

NOTE—Contn. sheet.

(1) Our annual programme of Revenue Expenditure

Serial
No.

Expenditure has latterly been much larger than in the past.

(2) Our annual Capital programme has been very high for the past 6 years.

(3) The volume of Loan and Advance operations, specially in connection with Industrial Concerns, has also been larger than in the past.

(4) We have opened an account with the Mysore Bank in which $1/3$ of the balance at Bangalore should be kept.

(5) With the opportunities available for favourable short term investments in the form of Bank Fixed Deposits and Treasury Bills, we have been withdrawing for such investment surplus balances from the Bank during the months when it pays us either only a low rate of interest or none at all.

(6) The War has disturbed the normal arrangement of getting our sterling balances remitted to India and the funds which would otherwise have been deposited with the Bank of Madras now lie in London.

The first four of the causes noted above are permanent in their character. I think it is desirable to reserve freedom for making favourable short term investments and the fifth cause has also therefore to be taken as continuing

NOTE—Contn. sheet.

ning

General and Revenue Secretariat.	File No.	of 191
	Serial No. continuing to be operative. It is only the sixth cause that may be held to be temporary and even when it ceases to operate, the addition to the balance with the Madras Bank will not be appreciable as the expenditure programmes ~~them-~~ ~~selves~~ will be heavy and what little balance will be left will have to be distributed between the two Banks - the bank of Madras and the Bank of Mysore. The Madras Bank knows that we have not equal convenience in keeping our funds with any other Presidency Bank. The Mysore Bank cannot be expected to keep our large balances and pay interest upon them. In view of what I have stated above, I consider that our prospect of getting more favourable terms than the present is somewhat remote. There is another relevant point to consider and I refer to the probability of the Bank proposing restrictions on our operating upon the account if it should pay better rates of interest. Although the account is a current one and the balance is always at call, the Bank would require some notice of withdrawal of large amounts if it should utilise large portions of our balances and be able to pay interest ^{on} ~~for~~ them. It is not always possible for us to foresee demands and give	

NOTE—Contn. sheet.

General and Revenue
Secretariat.

File No.

of 191 .

Serial
No.

give timely advice to the Bank of our drawings and it must be admitted that heavy drafts by us do put the Bank to inconvenience. Even now there is an understanding with the Madras ^{Bank} that a week's previous notice is necessary for withdrawals exceeding two lakhs. It is difficult to anticipate all items of expenditure to be met, and heavy drawings sometimes become necessary, and complaints on the part of the Bank that this ~~above~~ understanding is not always adhered to are not uncommon. It is undesirable to allow any restrictions to be imposed upon our liberty to draw upon our account as freely as we like for, after all, in the case of Government cash balances, the consideration of earning interest on them is subordinate to the necessity of keeping our fund always at call.

In view, however, of what I have said above, in regard to the two arguments advanced by the Bank in 1905 for not allowing us better terms, we may try if possible to obtain as better terms as we can, though the prospect of our getting anything substantial seems to be remote.

For reasons stated in para . . I would roughly take the busy season as one of 6 months from January to June and ask for 2 per cent below the Bank rate. As for July to December, I think that

NOTE—Contn. sheet.

General and Revenue Secretariat.	File No.	of 191
(1) & (2) Serial No.	two per cent is as high a rate as we can ask for. This was the rate at which the Bank allowed us interest when our balances with it in the slack season carried interest. There are two other terms of the present Agreement which <u>require alteration</u>. During the months of January and March interest is allowed, according to existing Agreement, only on the balance in excess of the sum which is to be paid about the end of those months to the British Government on account of the Subsidy. The Bank has interpreted this condition to mean that the amount drawn on account of the subsidy should be taken in reduction of the ^{balance}~~amount~~ which would otherwise be the minimum for calculation of interest for these two months. This interpretation has been tacitly accepted as the interest calculation of the bank based ~~upon~~ on it has not been challenged. This interpretation is unfair for there is no reason why the bank should not pay us interest upon an amount which is part of the minimum held throughout the month. The condition itself is easily infringed, for the Bank cannot compel us to pay the whole or any part of the subsidy through it. In fact, in one year although funds had to be drawn from the bank for the payment of the subsidy, the amount	

NOTE—Contn. sheet.

was

General and Revenue
Secretariat.

File No.

of 191

Serial
No.

(1) was paid by me through the Resident's Treasury and thus I was able to get interest on the amount which would otherwise have fetched no interest according to the interpretation placed by the Bank upon this clause. All reference to the payment of the subsidy from this clause should, I think, be removed.

(2) Under our present procedure, we do not send advices to the Bank of our drawing cheques on it and accordingly the clause in the current contract according to which notice of issue of cheques is to be considered as equivalent to actual withdrawal of funds ~~for~~ for the purpose of calculation of interest, has also to go.

22-3-19 19.

W. C. S. R.
Comptroller.

(- -

STATEMENT showing balances of the Dewan's Deposit Account with
The Bank of Madras, Bangalore.

(In Thousands)

	Average of 1903-05.	1915.	1916.	1917.	1918.	1919.
1st January	24,85	7,25	5,70	25,87	12,31	5,74
1st February	13,38	1,73	8,04	20,86	13,34	8,78
1st March	13,39	2,67	9,21	12,59	13,92	10,72
1st April	22,33	9,79	26,40	22,31	16,47	
1st May	29,81	13,28	2,53	20,95	22,38	
1st June	42,05	11,67	10,31	14,97	15,17	
1st July	48,70	12,15	12,19	8,42	17,29	
1st August	42,37	9,88	18,40	6,87	10,14	
1st September	40,15	9,03	10,41	15,98	16,85	
1st October	36,25	8,24	11,48	6,24	14,73	
1st November	34,55	4,12	12,43	9,60	17,35	
1st December	32,47	1,01	17,26	14,15	2,91	

RATES OF THE

Months.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
January	6-7	5-6	5-6-7	5-6	6-7-8	8-9	7-8	6-7
February	7-8	6-7-8	7	6-7	8	9	8-9	8-9
March	8	8	7	7-8	8	9	9	8-9
April	8	8-7	7	8-7-8	8-7	9-8	9	8-9
May	7-6	7	7-6-5	6-5-6	7-8	8-7	9-8	8-9
June	6-5-4	7	5	6-5	6-5	7-6	8-7-6	8-7-6
July	4	7-6-5	4-5-4	5-4	4	6-5-4	6-5-4	5-4
August	4	4	4	4	4	4	4	4
September	4	4	4	4	5	4	4	4
October	4	4	4	4	5	4	4	4
November	4	4	4	4	6	4-5	4-5	4-5
December.	4-5	4-5.	4-5	4-6	6-7-8	5-6-7	5-6	5-6

BANK OF MADRAS.

	1910.	1911.	1912.	1913.	1914.	1915.	1916.	1917.	1918.	1919.
	p.c	p.c	p.c	p.c	p.c	p.c.	p.c	p.c	p.c	p.c
8.	6-7	8	6-7-8	8	6-7	6	7-8	8	6-7	7-8
	7	8	8	8	7	6	8	8	7	8
	7-8	8	8	8	7	6	8	8	7	8
	8	8	8	8	7	6	8	8	7	
	8-7	8-7	8-7	8	7-6	6	8	8	7	
6-5)	7-6-5	7-6-5	7-6-5	8-7-6	6-5-4	7-5	8-7-6	8	7	
	5-4	5-4	5-4	6-5	4	5	6	8	7	
	4	4	4	5	4-5	5	6	8-7	7-6	
	4	4	4	5	5	5	6	7-6	6	
	4	4	4	5-6	5-6	5	6	6	6	
	4-5-6	4-5	4-5	6	6	5	6-7	6	6-7	
	6-7-8	5-6	5-6-7-8	6	6	5-6	7-8	6	7	

57

Financial Secretariat,
Bangalore, 14th March 1919.

Dear Sir Bernard Hunter,

According to present arrangements,

1. Mysore Government get interest in respect of their current account in your Bangalore Branch at the following rates *on the minimum monthly balance*.
- | | |
|-----------------|----------------------|
| January - March | 2 % below Bank rate. |
| April - June | 2½ % |
| July - December | Nil. |

This arrangement was arrived at as long ago as November 1904 and was slightly revised in December 1905. The rate of interest, has since considerably risen and it is reasonable that the Mysore Government should now get more favourable rates. The Government of His Highness the Maharaja of Mysore have accordingly asked me to enquire as to whether your Bank will be prepared to revise the rates as shewn below *on the minimum monthly balance*:

December - April 2 % below Bank rate.

May - November 2½ %

I shall be obliged if you will kindly favour me with a reply as early as practicable.

Yours sincerely,

M. S. B.
15/3

Sir William Bernard Hunter, Kt.

No 7C 4872

C a - 10 - 18 - 1

Financial Secretariat

Bangalore, 15th March 1919.

27

Dear Sir Bernard Hunter,

for

According to present arrangements, the Mysore Government get interest in respect of their current account in your Bangalore Branch at the following rates on the minimum monthly balance:

January - March 2 % below Bank rate.

April - June 2½ %

July - December Nil.

[This arrangement was arrived at as long ago as November 1904 and was slightly revised in December 1905. The rate of interest has since considerably risen and it is reasonable that the Mysore Government should now get more favourable rates.] The Government of His Highness the Maharaja of Mysore have [accordingly] asked me to enquire ~~as to~~ whether your Bank will be prepared to revise the rates as shewn below on the minimum monthly balance:

to offer better terms
in view of the current
market-rate on
and to

December - April 2 % below Bank rate

May - November 2½ %

I shall be obliged if you will kindly favour me with a reply as early as practicable.

Yours sincerely,

Sir William Bernard Hunter, Kt.

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

No. 116c

All Letters to be addressed

"BANK OF MADRAS."

Post Box No. 16.

Telegraphic Address:

"EUROPA."

Ca. 10-18-2

D 2690 (10)

Bank of Madras

MADRAS, 28th March 1919

Dear Mr. Chakravarti,

α

With reference to your D/O letter No.F.L.4872 of 27th instant, it is unfortunate that the Mysore Government balances are largest at a season of the year when funds are not in strong demand and even during the busy season it is inconvenient from the Bank's point of view to have large balances lying at call at a high rate of interest. It therefore does not suit us to quote fixed rates on current account balances for indefinite amounts.

As an alternative to your proposal I offer you interest at the rate of 3% per annum throughout the year on your current account balance up to a maximum of Rs.10 lacs, and I shall be glad to quote special rates for short dated fixed deposits when we are able to utilize the funds.

If you prefer that the present arrangement should continue I am always ready to quote for short deposits when money is in demand.

Yours sincerely,

M. S. Chakravarti

H

M.R.Ry,

Diwan Bahadur J. S. Chakravarti, M.A.,

Financial Secretariat,

Bangalore.

SUBJECT.....

Diary No. of letter replied to.....

Section

File No. 10

Serial No. 2

GENERAL AND REVENUE SECRETARIAT

, the

191

Date of issue.....

Signed by

Notary.

To

According to the

Present arrangement
the Mysore Government
get interest in respect
of their current account
in your bank at the

following rates on the

present monthly balance

Jan 4 to March = 2% below Bank
rate

April - June = 2 1/2%

July - Dec. = 2 1/2%
over.

The Govt of A. N. to
Maharaja of Mysore
have asked me to enquire
whether your Bank will
be prepared to offer
better terms in view
of the ^{1st} Current market
rate ^{1st} ~~quite~~ to revise
the rates as shown
below on the minimum
monthly balances

Dec to April - $2\frac{1}{2}\%$ below bank ^{List of measures-}

May - November - $2\frac{1}{2}\%$

I shall be obliged if
you will kindly favour
me with a reply ^{as} ~~in~~
as practicable.

Copied by

Examined by-

Yours sincerely

15/12/17

WV/21/5

[Handwritten signature]

3 Co 10-18 3

Confidential

No 76872

26 June 19

To

The General Manager, of India
National Bank Ltd.,
Esplanade Road,
Madras.

Vide
Page 360
of the Times
of India
Directory

Sir,

As your Bank has agencies in -- different parts of India and your head office is in London, the Mysore Government are considering the question of opening a current account with you and of conducting some of their transactions through your Bank. Their reserve -- balances will also be kept with you if favourable rates of interest are offered. I shall be obliged if you will kindly let me know what rate of interest your bank will be prepared to give on the monthly minimum balances at call during the several months of the year and whether your Bank is -- prepared to have the money placed with you kept always at call in Bangalore.

2. If your offer is favourable the Mysore Government will also be glad to make short time deposits under separate arrangements from time to time.

3. I am to say that this enquiry is

quite

quite an informal one and it may
kindly be kept quite confidential.

I have etc.,

N. C. V.

18/23/6
for Financial Secretary to Government
with
23/6.

No R 68738 26 June 19
copy to Comptroller
for information

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Confidential

D 3439 ca 10-8-11

All Letters to be addressed and
Remittances made payable to
"NATIONAL BANK OF INDIA, LD."
MADRAS.

Telegraphic Address,
"NATIONAL"

National Bank of India Limited
Bankers to the Government in British East
Africa & Uganda. POST BOX NO 64.

Madras, 27th JUNE 1911.

The Financial Secretary,

to the

7/10/11 Government of His Highness the Maharaja of Mysore,
27/6
BANGALORE.

Sir,

We are in receipt of your confidential letter of 26th instant, No. *7* 6872 and in reply beg to state we will be pleased to open a Current Account, and to receive Fixed Deposits in the name of the Government of His Highness the Maharaja of Mysore.

We enclose a copy of our rules of business from which you will observe we allow interest at 2% on credit balances up to Rs one lac on Current Accounts. Should you desire to deposit larger amounts, we suggest they be lodged with us subject to seven days notice of withdrawal, in which case we would allow interest, as a special case at 2½%.

For amounts on Fixed Deposit, we beg to quote the following rates for one, two, or three months 3%, six months 4½%, twelve months 5%. We do not receive deposits fixed for longer than one year, but should deposits for other periods be desired we will be pleased to quote on receiving full particulars from you.

We regret we could not undertake to keep money at call in Bangalore as we have no Branch there.

Yours faithfully,

W. D. Davidson
Asst. Manager

The National Bank of India, Limited.

36

[INCORPORATED IN THE UNITED KINGDOM]

(Established in India, 1863).

SUBSCRIBED CAPITAL	...	...	...	...	£2,000,000
PAID-UP CAPITAL	...	...	...	...	£1,000,000
RESERVE FUND	...	...	...	...	£1,50,000

HEAD OFFICE:

26, Bishopsgate, London, E.C. 2

BRANCHES:

CALCUTTA, BOMBAY, MADRAS, KARACHI, LAHORE, AMRITSAR,
DELHI, CAWNPORE, TUTICORIN, COCHIN, CHITTAGONG,
RANGOON, MANDALAY, COLOMBO, KANDY, NEWERA-ELIYA,
ADEN, STEAMER POINT—ADEN, ZANZIBAR, MOMBASA,
NAIROBI, ENTEBBE, KAMPALA, NAKURU, KISUMU,
JINJA, DAR-ES-SALAAM, TANGA.

BOARD OF DIRECTORS:

ROBERT CAMPBELL, Esq., *Chairman*.

ROBERT WILLIAMSON, Esq., *Deputy Chairman*.

SIR JOHN P. HEWETT;	ALFRED SIMSON, Esq.,
G.C.S.I., C.I.E.	J. N. STUART, Esq.
ROBERT MILLER, Esq.	J. A. TOOMEY, Esq.
SIR CHARLES C. MCLEOD.	

GENERAL MANAGER:

H. CHALMERS, Esq.

LONDON MANAGER:

C. NICOLL, Esq.

LONDON BANKERS:

BANK OF ENGLAND,

NATIONAL PROVINCIAL BANK OF ENGLAND, LTD.

NATIONAL BANK OF SCOTLAND, LIMITED

The National Bank of India, Limited.

RULES OF BUSINESS OBSERVED AT MADRAS BRANCH.

EXCHANGE.

THE Bank undertakes to collect Bills of Exchange on current terms.

THE Bank grants Drafts on London payable on demand or at terms not exceeding Six Months' Sight, and Demand Drafts on provincial towns in England, Scotland and Ireland, the Colonies and all the principal foreign countries of the World. It grants Drafts on its Branches and Agencies and issues Letters of Credit for the use of Travellers and also sells Telegraphic Transfers on its Head Office and Branches at the exchange of the day.

REMITTANCES.

FAMILY and other remittances are made for Constituents free of charge at the Bank's current rate of Exchange. The Bank draws on *demand*, on England, on the Branches of the National Provincial Bank of England, Limited; on Scotland, on the Branches of the National Bank of Scotland, Limited, and British Linen Bank; and on Ireland, on the Branches of the Provincial Bank of Ireland, Limited.

It is requested that, in all cases of application for Drafts, the Christian name of the person to whom the money is to be sent be given. In the case of a married lady, *her* own Christian name, not that of her husband, should be furnished. It is very important also that the names of parties in whose favour Drafts are wanted should be legibly and plainly written. When requested and the necessary particulars are furnished, the Bank will forward the first copy of the Bill direct, free of charge. Applications for Drafts should, if possible, be made on the day preceding Mail day.

FIXED DEPOSITS.

THE Bank receives Deposits for fixed periods, not exceeding one year. The rates allowed at present on deposits of Rs. 500 and over are :—

Fixed for 6 months certain, ~~4~~ ⁵ per cent. per annum.

„ 12 „ „ „

No interest will be allowed after the notice of withdrawal has expired, nor can the amount be withdrawn before due date either for remittance or otherwise without special permission. In cases where renewal is desired, receipt should be sent in for marking on due date to prevent loss of interest. *Interest is payable half-yearly on application and production of Receipts, on which the payment of interest requires to be endorsed.*

Routine Notes.

~~Not to be used only for notes, requisitions, etc., not intended for permanent record.]~~

CURRENT DEPOSIT ACCOUNTS

1. Current Deposit Accounts are opened with sums of not less than Rs. 500 in the names of parties known to the Bank or properly introduced.
2. *It is understood that the balance at credit will not, at any time, be allowed to fall under Rs. 200.*
3. Interest is at present allowed, at the rate of two per centum per annum, on the Daily balances of Rs. 1,000 to Rs. 1,00,000 applied half-yearly at the end of June and December, but no interest will be allowed where the amount accrued is under Rs. 10 half-yearly. Special arrangements can be made for allowing interest for short periods on amounts transferred to fixed deposit.
4. Pass Books or copies of accounts (according to arrangement) are furnished by the Bank. Where a Pass Book is in use, it should always accompany payments for credit, and the Depositor should see that the entries of all moneys paid in are certified by the initials of the Bank's Passing Officers; it should also be sent in to be checked with the Bank's ledger at least once a month, whether any transactions have taken place or not. No entries of any description should be made in the Pass Book by the depositor. Parties who have made arrangements for copies of their account to be sent at stated intervals will receive them only if any change has taken place since the date of previous rendering, and the Bank will conclude that the account has been found correct, unless advised to the contrary within a reasonable time. Any delay occurring in receipt of the account at the usual time should be brought to the notice of the Bank. All statements of accounts will be signed by an authorized officer of the Bank.
5. The Bank is open for business every lawful day from 10 a.m. to 3 p.m. excepting on Saturdays, when it closes at 1 o'clock.
6. Bills and cheques or orders of any description (not involving unusual trouble) are collected for the credit of Depositors free of charge. Cheques, etc., if lodged later than one hour before closing, will not be passed to credit, and the Bank will not be responsible for their negotiation till next day. The Bank cannot bind itself to give notice of dishonour of cheques, etc., unpaid until the day following their presentation.
- Constituents are particularly requested to note that the Bank does not undertake to honour cheques drawn against cover in course of realization. Cheques ought not to be drawn until the amounts realized have actually been credited. Constituents may not overdraw their account unless against security lodged under special arrangement with the Manager.
7. Receipts will be granted to third parties making deposits of cash or cheques for the credit of Constituents and intimation of such lodgment will be sent by the Bank to the parties interested.
8. In drawing against accounts only the form of cheques supplied by the Bank should be used.
9. No cheque should be drawn for a less sum than Rs. 20.
10. Any alterations or erasures should be verified by the drawer's signature in full.
11. The Bank's forms are drawn out payable to 'bearer', and should not be altered to 'order', as the Bank cannot undertake to identify the endorsements on cheques.
12. Notices of stop will be carefully registered, but the Bank cannot undertake any responsibility in case of same being overlooked.
13. *Applications for new cheque books should be made on the printed slip inserted near the end of each book.* Depositors are particularly requested to see that all cheque books are received under cover, and to assure themselves of the correctness of the number said to be contained in each. The cheques should be kept under lock and key, and a private running number adopted. Only messengers known at the Bank should be sent to receive money under a cheque or to receive new cheque books.
14. Constituents are requested to observe the same style of signature as the specimen left at the Bank and to give the Bank notice of all changes of address.
15. It is essential that alterations in the names of persons authorized to sign cheques be immediately notified to the Bank.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G.R.S.

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

1925 ca. 10-18-5 (31)

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOBANK."
CODE - 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore, 24th July 1919

File No. 13/639
4 JUL 19
23270

The Financial Secretary to the
Government of Mysore,
Bangalore.

Handwritten signature and date 25/7

Dear Sir,

I am in receipt of your D.O. letter dated 6th June No. 6561 enquiring whether the Bank will be prepared to offer better terms of interest in respect of the Government Floating balances in the Bank.

2 In reply, I am desired by the Board to submit the following remarks on the working of the Government balances in the Bank during the past ¹/₂ years for your kind consideration.

(1) In Clause 1 of the Agreement between the Government of His Highness the Maharaja of Mysore and the Bank, Government agree to keep up to about one-third of their current balances in Bangalore in Floating account with the Bank.

(2) From the chart accompanying this letter (which kindly return) it will be observed that the fluctuations during the ¹/₂ years in the Government balances were excessive, and that at times the balances fell to very low limits as will, also, be observed from the Statement enclosed showing the average as well as maximum and minimum Government balances for the

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

2 p.

the past 18 months.

3 From the Government working of the account it would appear that the Government balances are allowed to fall to low limits when they are replenished by a remittance on the Bank of Madras. Thus during the last 18 months there were 17 such remittances. It is therefore obvious that the Bank of Madras enjoy for a greater period in each month a larger amount of Government funds than they are entitled to under ^{the agreement} ~~Government~~. Further, from the wide fluctuation of the Government balances it will be readily perceived that any benefit that may be derived by the utilization of some portion of the Government balances in the Bank's business is considerably minimised as under Cl.2 the Bank is compelled to keep 100 per cent of the Government balances in cash, and in the absence of all demands for short dated loans and money at short call it is not possible for us to locally utilize funds in unison with these fluctuations - an advantage which our more powerful rival readily enjoys in Madras and elsewhere. How far it has been possible for the Government to carry out the spirit of the agreement with the Bank is a question which you alone are in a position to know, but I shall be glad to hear if the average balances as shown in the accompanying statement represent one-third of the Government current balances in Bangalore, and consequently entitled to the payment of interest for the past half year as stipulated in the agreement with the Bank.

From

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

3 p. ⁽¹³⁾

From the foregoing remarks it is submitted that the actual working of the terms of the agreement is more or less impracticable. I therefore venture to submit to Government for their consideration a modification of the agreement to the extent that a fixed minimum balance be at all times maintained at credit in our books, and should such balance at any time fall below the stipulated minimum, no interest is to be allowed by the Bank for the half year. The Bank on its part will agree to pay interest on a maximum equal to twice the amount of such fixed minimum balance.

On these conditions the Bank are prepared to allow interest on the minimum monthly balances as follows:

Jan. - April	2% below Bank of Madras rate subject to a maximum of 5% per annum,
May - June	3% per annum.
July - Dec.	2% per annum.

Yours faithfully,

L. G. Rose
Manager.

Government Balances,
1918.

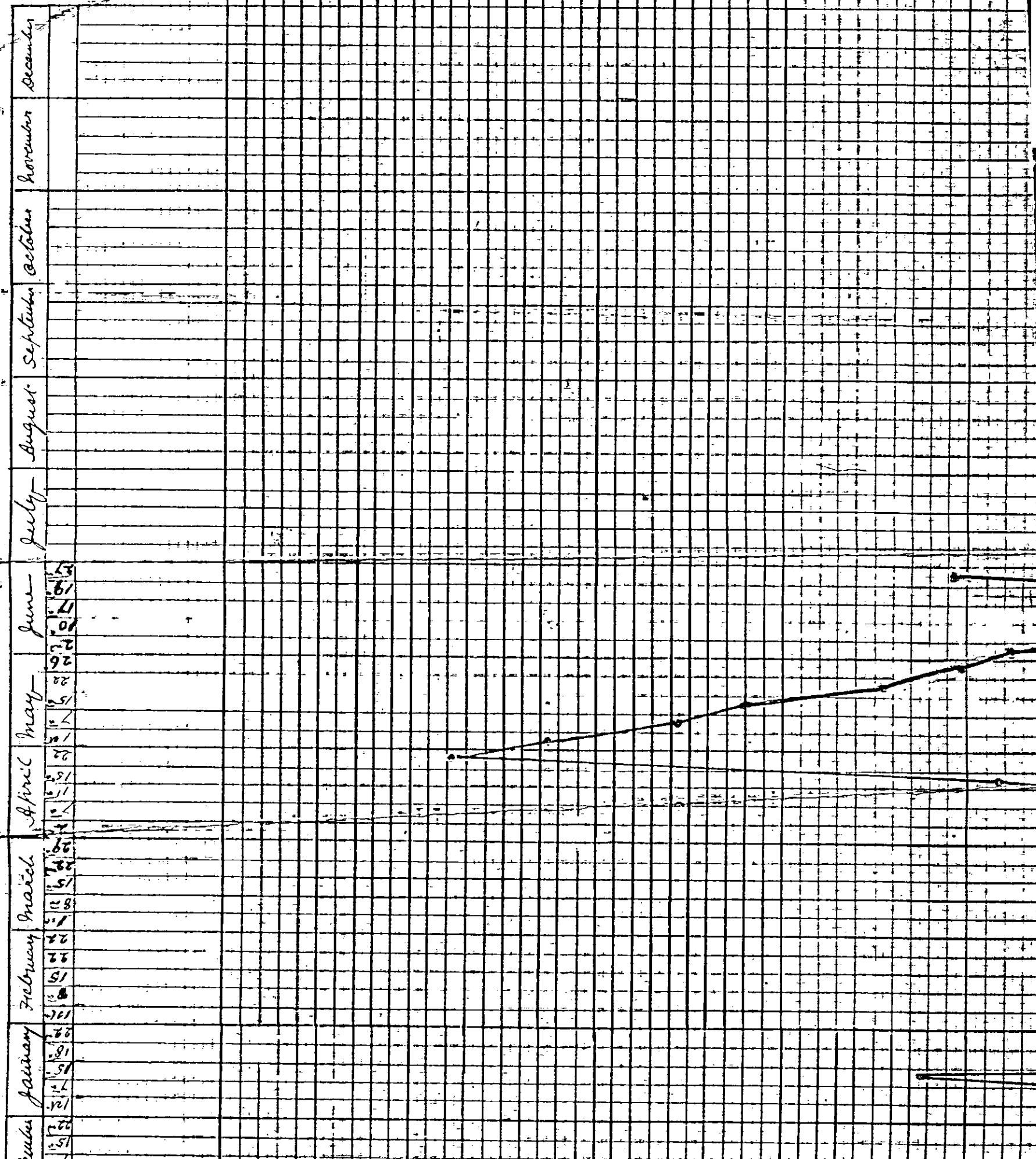
Month.	Opening balance.	Maximum		Minimum		Average.	Closing Balance.
		date.	balance	date.	balance		
January	1,69,326	2	1,73,629	17	<u>49,259</u>	1,08,000	53,896
February	52,696	26	1,66,149	1	<u>28,325</u>	1,11,000	1,50,442
March	1,50,018	26	7,30,013	5	<u>86,574</u>	4,21,000	7,25,805
April	7,25,805	13	7,11,269	4	3,97,748	4,91,000	4,51,715
M A Y	4,51,387	13	6,62,599	3	4,03,109	5,91,000	5,96,852
June	5,91,322	5	6,34,052	30	1,93,984	4,19,000	1,93,984
July	1,94,295	4	5,35,042	1	<u>93,834</u>	4,34,000	3,96,647
August	3,86,313	1	3,67,482	17	<u>79,767</u>	5,55,000	2,58,908
September	2,58,908	26	5,81,320	20	<u>8,088</u>	3,18,000	5,45,986
October	5,39,555	22	9,44,245	8	4,21,589	4,35,000	8,37,049
November	8,35,480	11	9,40,204	27	2,48,234	3,91,000	3,96,410
December	3,96,410	18	4,78,809	5	2,14,652	3,36,000	3,53,794
1919							
January	3,53,794	10	6,29,720	18	<u>30,745</u>	3,62,000	3,97,937
February	3,94,950	17	6,00,414	21	3,15,513	4,13,000	4,55,949
March	4,55,924	29	5,44,379	8	<u>57,739</u>	3,92,000	5,14,193
April	5,14,193	22	8,79,011	10	3,81,549	6,45,000	8,40,610
May	8,33,203	1	8,25,556	26	5,71,768	6,95,000	5,93,224
June	5,93,224	27	7,25,968	19	3,88,197	5,46,000	7,11,816

N.B.

Minimum Balances under one lac are underlined in red ink.

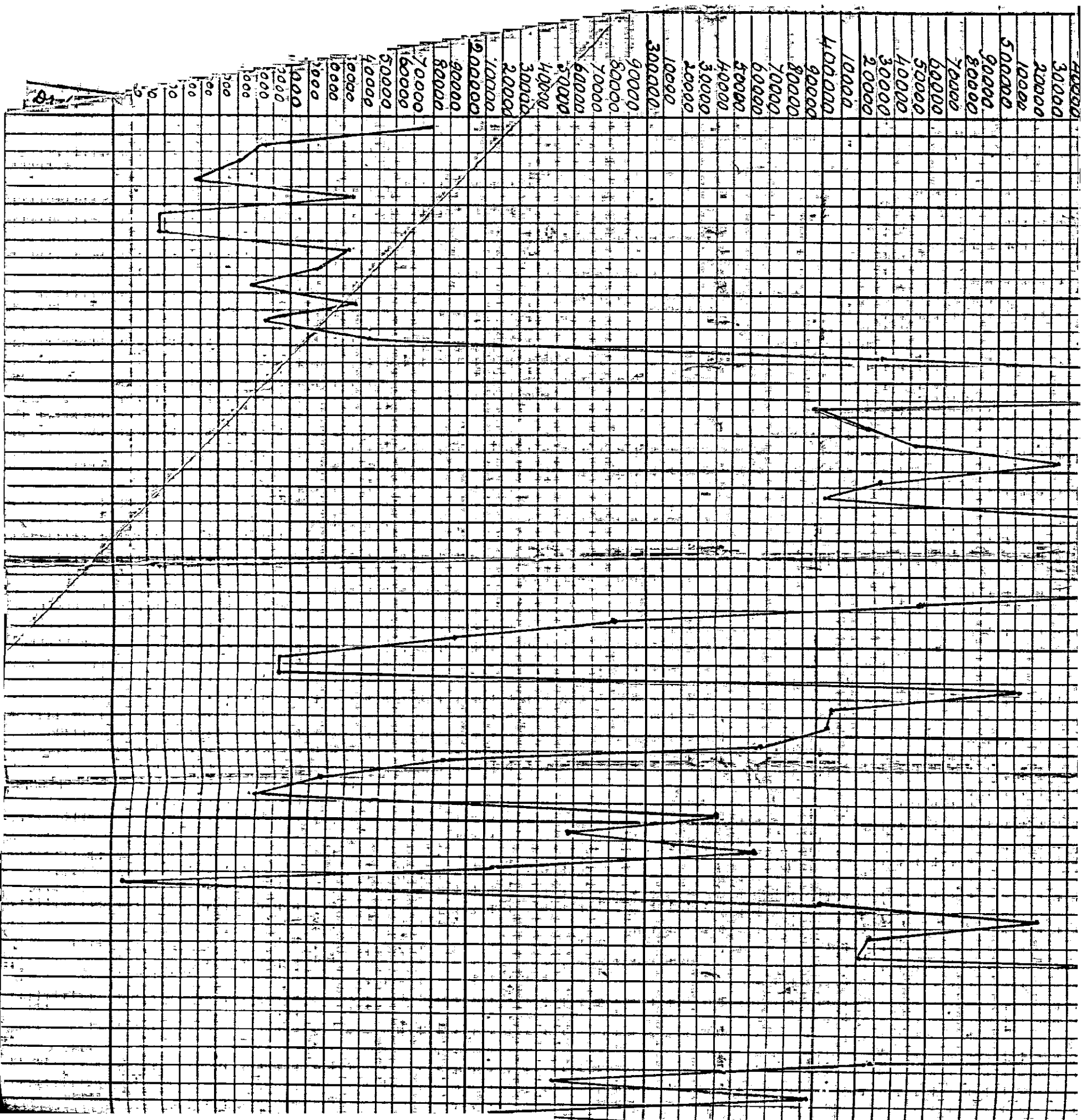
es in Fdg: a/c

1919.



Comptroller's Balance

[illegible]



D r a f t.

L.O. no 155

Dear Mr. Rose,

I forgot to mention one more point relating to the revised terms proposed by you in respect of the current account of the Mysore Government with your Bank. The interest which you proposed to allow for ^{the period from} January to April is 2 per cent. below the ~~M~~ Bank of Madras rate, subject to a maximum of 5 per cent. The Bank of Madras allows interest at 2 per cent. below the Bank rate subject to a maximum of 6 per cent. May I request you to kindly tell me whether you would place the maximum at 6 percent instead of at 5 ?

As regards the condition of allowing no interest for the ^{whole of the} half year in which the fixed minimum is not maintained which I discussed ~~xx~~ with you ^{yesterday} ~~to-day~~, you have kindly agreed to limit it to the month in which the minimum is not maintained and not to ~~xx~~ the whole half year. I shall be glad to have this point confirmed by you.

Yours sincerely,

W. C. Rose, Esq.,

W.C. Rose

ALL COMMUNICATIONS TO BE ADDRESSED

TO THE MANAGER.

POST BOX No. 37.

The Bank of Mysore, Ltd.,

No.

481741074

Bangalore, 18th Dec. 1919

Dear Sir,

With reference to your D/O letter No. 155 dated 9th inst. to Mr. Rose I have to inform you that the latter is still confined to bed. At his desire and for his ^{this} information I write/to enquire if the Bank of Madras rate of interest of 6% you refer to in your letter is to be an all-the-year-round rate ~~of interest~~ or restricted only to a few months in the first part of the year.

A line in reply will oblige.

Yours faithfully,

P. N. Rao
Asst. Manager.

M.N. Krishna Rao, Esq.
Financial Secretariat,
Bangalore.

D.O.

DRAFT.



FINANCIAL SECRETARIAT,
Bangalore, the 26th January 1920.

Dear Mr. Rose,

May I invite your kind ^{ref} ~~attention~~ to my letter No.155 dated the 9th December 1919 and to Mr. P.Subba Rao's letter dated the 18th December 1919 and request you to kindly let me have a reply as early as practicable ~~and oblige ? The subject has been long pending for want of the information I have now asked for.~~

Yours sincerely,

M. S. Subbanna

26-1-20

W. C. Rose, Esq.,

Manager, Bank of Mysore, Ltd.,

B a n g a l o r e.

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.

TELEGRAPHIC ADDRESS: "MYSOREBANK."

CODE: A. B. C. 5TH EDITION.

POST BOX No. 37.

No.

Gl 4/3124

The Bank of Mysore, Ltd.,

Bangalore, 28th Jan. 1920

Dear Mr. Krishna Rao,

With reference to your D/O letter No. 155 of the 9th ult. enquiring if I am prepared to also allow the maximum 6% interest quoted by the Bank of Madras on the Dewan's current account for the period Jan-April as against my 5%, I would first like to know if the Bank of Madras rate for the other periods i.e. May-June and July-December is at least as favorable as that quoted by me in my letter of the 24th July 1919.

As regards the penal condition stated by me in my letter above quoted, I am prepared to waive same and only disallow interest for the month during which the fixed agreed minimum balance is not maintained.

Yours sincerely,



Manager.

M. N. Krishna Rao, Esq.
Financial Secretariat,
Bangalore.

D.O. no. 677

FINANCIAL SECRETARIAT,

Bangalore, the 29th January 1920.

Dear Mr. Rose,

Thanks for your letter No.Gl.14/3124 dated the 28th instant. The Bank of Madras rate for the other periods is not as favourable as that quoted in your letter of 24th July 1919.

Yours sincerely,

W. C. Rose, Esq.,

Manager, Bank of Mysore, Ltd.

ALL COMMUNICATIONS TO BE ADDRESSED

TO THE MANAGER.

POST BOX No. 37.

No. *CH 14/3547*

The Bank of Mysore, Ltd.,

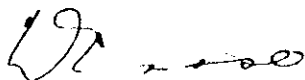
Bangalore, 30th Jan. 1920

Dear Mr. Krishna Rao,

Thanks for the information contained
in your D/O No. 177 of the 29th inst.

Under the circumstances, I don't think
you can expect me to raise my rate for
the period Jan/April.

Yours sincerely,



M. N. Krishna Rao, Esq.
Financial Secretariat,
Bangalore.

huf

20 Aug

No 74686/Ca 10-8
76/2/20 -6.

DRAFT LETTER.

To

The Secretary & Treasurer,

Bank of Madras, M a d r a s.

S i r,

I am directed to invite reference to Sir Bernard Hunter's letter dated 28th March 1919 in regard to the interest allowed upon the current account of the Mysore Government with your Bank.

2. The arrangement now in force was adopted in 1905 and the reasons urged by the Bank for reducing the rate of interest payable for April, May, and June from 2 % below the Bank rate to 2½ % were two, namely,

(i) "The bulk of the Mysore Government Funds are deposited in the second quarter of the year (April to June), when the demand for money has ceased and the Bank has consequently to pay interest upon a large unemployed balance during that period, and

(ii) "The results of the closing of the Mints and the introduction of a Gold standard are beginning to make themselves felt and the value of money generally is settling down to a lower level, so that in all probability, we shall not again see the high rates of interest of a few years back. (Vide letter dated 3rd October 1905 from the Secretary & Treasurer, Bank of Madras, Madras, to the Comptroller, Mysore.)

3. The Bank's rates indicate that the demand for money continues in the second quarter of the year as well. It will ~~probab~~ probably be not ~~denied~~ that the busy season for the operations of the Bank may, on the whole, be taken as one of six months in the year. I would invite reference in this connection to the marginally*

" xx xx the bank finds full employment for its funds for about six months of the year xx xx."

1. " xx xx the busy season in this Presidency extends to a period of about six or seven months xx xx."

114/572/1920

noted extracts from the letters dated 13th November 1899 and 13th July 1903 addressed by the Bank to the Government of India and published in the Appendices to the Report (1913) of the Royal Commission on Indian - Finance and Currency.

4. The anticipation on which reason No. (ii) noted above was based, has not been realised. The value of money has since reached a much higher level and it does not appear to be probable that there will be any fall in it in the near future.

5. Under these circumstances, the Mysore Government would request the Bank to kindly ^{re}consider the matter and favourably view their proposal for allowing at least interest at 2 % below the Bank rate for the second quarter from April to June, as for the first, if it is not possible to allow any interest for the other two quarters of the year.

I have the honour to be,

S i r,

Your most obedient servant,

Mull
31.1.20
Financial Secretary.

Ca. 10-18-7

Telegraphic Address: EUROPA.

ALL LETTERS TO
BE ADDRESSED
THE BANK OF MADRAS:
P.O. BOX Nº 16

Bank of Madras.

Madras. 9th February 1920

20956

Ind. Secy
10 FEB 1920

S.L. 154/350
2598

The Financial Secretary

to the Govt: of H.H. the Maharaja of Mysore,

Bangalore.

Sir,

In reply to your letter No. Fl. 4686/CA10-18-6 of 6th instant,

I regret I am unable to comply with your request to pay interest at the rate of 3% below the Bank's minimum from April to June but I would suggest as an alternative that surplus funds should be placed to credit of a No. 2 a/c and that withdrawals be subject to 30 days notice and on this account interest to be allowed at 3% below the Bank's minimum. The ordinary working account to carry interest at the rate of $2\frac{1}{2}\%$ as at present.

I have the honour to be,

Sir,

Your obedient servant,

[Signature]

Ag. Secretary & Treasurer.

H